

Moscow Shows Interest in Playing Role in World Economy

Richard N. Gardner, professor of law and international organization at Columbia University, is attending a meeting in Moscow this week called by the Soviet government to discuss ways of strengthening the United Nations system. He was deputy assistant secretary of state for international organizations under the Kennedy administration and U.S. ambassador to Italy during the Carter administration. He spoke to Barry James of the IFT staff.

to wait and see whether they will stop exporting revolution and seeking the collapse of capitalism. If this is a new approach, we should welcome it.

Q. From what you say it seems as though the Soviets want to join capitalism, not bury it.

A. Well, we have just had a meeting in Paris of an Aspect Institute group, to

MONDAY Q&A

Q. Is the Moscow meeting a sign that the Soviet Union is seriously interested in improving international cooperation?

A. I don't take anything Soviet leaders say at face value. But they are encouraging the UN secretary-general as they never did before to take independent initiatives to settle world disputes. And they are now evidencing an interest in joining the international economic organizations such as the General Agreement on Tariffs and Trade, the International Monetary Fund and the World Bank. We have

which two Soviet representatives came for the first time. All of us were impressed by the message they brought, which is this: The Soviets have come to the conclusion that the success of perestroika requires that the West should not have an economic crisis. They wish to enter the process of managing the world economy in a responsible way, and this means, eventually, their taking a place in the General Agreement on Tariffs and Trade, the International Monetary Fund and the World Bank.

They didn't say they want to come in right now, because first they want to push ahead with their new pricing system, perestroika, autonomy for enterprises, a market economy and a convertible ruble. This will take five or 10 years. But I believe Mikhail Gorbachev sees eventual participation in these international organizations, which will of course lay down tough preconditions, as a means of reinforcing the domestic reforms he wishes to undertake.

Q. Yet, while the Soviets express increasing support for the United Nations, Vice President George Bush calls the organization an unreal place, a place torn by tensions.

A. I know George Bush. I like him and I spent a fair amount of time with him when he was ambassador to the United Nations. What he is saying now is totally at odds with what he was saying then. He is saying these things at the very moment when the United Nations is beginning to

work the way every postwar American president has wanted it to work.

Q. How so?

A. It has helped broker the Soviet withdrawal in Afghanistan. It has helped bring about a cease-fire in the Gulf. It is likely to bring about a settlement of the war in Western Sahara. It is bringing together the Greek and Turkish Cypriots for the first serious discussion in many years. It has a fair chance of bringing about the withdrawal of Cuban troops from Angola and a settlement of the Namibia problem. And maybe it will help achieve a withdrawal of Vietnamese troops from Cambodia. The UN makes it easier for these things to happen because it gives countries a face-saving way out.

Q. That may be so. But the Reagan administration is obviously hostile to the organization. It owes more than half a billion in dues. So what should it be doing?

A. The United States should start paying its arrears and exercising leadership,

because our failure to pay what we owe the UN and to match Mikhail Gorbachev with constructive responses is isolating us not only from the Third World but even from our closest allies, who are frankly fed up with our behavior in international organizations.

Ronald Reagan in a few weeks time will be making his sixth appearance before the UN General Assembly. He obviously derives great political benefit at home and abroad by making such speeches. So imagine the reaction of the other 158 member nations when the United States refuses to settle its arrears — \$460 million for the regular budget, \$70 million to pay the salaries of those courageous men wearing blue helmets, and also the money we owe those UN agencies that are going to be more important than ever if we are going to deal with problems such as the greenhouse effect or the ozone problem, or future Chernobyls or the drug trade.

WORLD BRIEFS

Solarz Is Dubious on Burma Regime

BANGKOK (Reuters) — Representative Steven J. Solarz, a U.S. congressman just back from 24 hours in Rangoon, said that "the government has completely lost the confidence of the people."

"Their credibility is between nil and negligible," he said.

Mr. Solarz, a New York Democrat who is chairman of the House subcommittee on Asian and Pacific affairs, met President Maung Maung, Prime Minister Tun Tin and other senior members of the ruling Burma Socialist Program Party. He said that the next few days should show whether the future of Burma would be determined peacefully or through a bloodbath.

He also met emerging leaders of the opposition such as Daw Aung San Suu Kyi, daughter of Burma's founding father, U Aung San; U Aung Gyi, a prominent dissident, and the former prime minister U Nu.

Serbians Protest Unrest in Kosovo

BELGRADE (AP) — More than 100,000 people attended rallies this weekend in four Serbian towns to protest what they described as harassment and intimidation by ethnic Albanians in the troubled southern Kosovo Province, official reports said.

For the first time, a rally of nearly 70,000 on Saturday at Smederevo, 50 kilometers (30 miles) south of Belgrade, was formally organized by the Socialist Alliance, a Communist-led mass organization. Other rallies were held in Crvenka, Kovin and Sombor.

The rallies have been held in defiance of a call from the Yugoslav Communist Party Central Committee to refrain from taking the Kosovo conflict to the streets.

Death by Starvation Rising in Sudan

KHARTOUM (Reuters) — A senior army officer in Sudan said Sunday that scores of people were dying of hunger every day in the isolated southwestern town of Aweil, and a Khartoum newspaper reported that 8,000 people had died there but did not give a time period.

Relief officials said hundreds of destitute people from several famine-hit southern districts were trekking north in search of food, to towns that had little relief to offer. They said more than 30 people a day were dying in one such town, Al Meiram.

The army official was quoted as saying the same number of people died of hunger in Aweil every day as were killed in northern Sudan by floods last month. "The state is concerned with the North and ignores the South," he said. Relief officials said several international aid agencies were trying to arrange reconnaissance flights over Aweil to assess conditions.

For the Record

A federal judge in Utah has dismissed lawsuits seeking \$3 billion from Morton Thiokol Inc. that were filed by Roger Boisjoly, a former engineer with the company. Mr. Boisjoly had warned against launching the Challenger space shuttle in January 1986 but was overruled by Morton Thiokol executives. (NTT)

Deng Xiaoping, 84, the senior Chinese leader, has a prostate problem and is in declining health, a source close to the family said. (UPI)

Pakistani officials say about 90 persons have been detained for questioning in the plane crash Aug. 17 that killed President Mohammad Zia ul-Haq. (Reuters)

Prime Minister Andreas Papandreu of Greece will undergo surgery in London within two weeks to have a heart valve replaced, a spokesman for Mr. Papandreu said Sunday. (Reuters)

Police in Nicosia mounted heavy security Sunday as officials from 95 countries began gathering for the Nonaligned Movement's three-day conference of foreign ministers. (AP)

TRAVEL UPDATE

Moscow Plans to Open Vladivostok

MOSCOW (AP) — The government will soon allow foreigners into the Pacific Coast city of Vladivostok, which serves as home port for the Soviet Navy and has been closed to foreigners for decades, the government daily Izvestia reported.

"This is no accident," the newspaper said Saturday in announcing the change. "First of all, it is a result of the new political initiatives of our country." Izvestia did not say when Vladivostok would become an open city, but an international symposium on problems of the Asia-Pacific region is to be held there later this month.

TAP-Air Portugal will begin flying to Nice and Hamburg in November, the airline said. The flight to France will link Lisbon, Nice and Stuttgart every Tuesday and Friday. The airline also announced the creation of a Hamburg-Lisbon route. (AFP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Bermuda, Canada, Luxembourg, United States.

TUESDAY: Pakistan.

WEDNESDAY: Brazil, Mozambique, Namibia.

THURSDAY: Andorra, Liechtenstein, Malta, Rwanda.

FRIDAY: Bulgaria.

SATURDAY: Belize, Bulgaria.

SUNDAY: Chile, Ethiopia, Pakistan.

Source: Morgan Guaranty Trust Co., Reuters.

Lee and Party Defeat Strong Opposition Bid

By Keith B. Richburg

Washington Post Service

SINGAPORE — Prime Minister Lee Kuan Yew and his governing People's Action Party maintained their nearly unanimous lock on Parliament in elections Saturday, despite the strongest opposition challenge in two decades.

Final results announced early Sunday on the state-run television showed that the party won 80 seats in the 81-member chamber, and the opposition would be held to the single seat it had in the last Parliament. The opposition had fielded 70 candidates, its largest ever, and had hoped to win up to seven seats.

The governing party's popular vote appeared to slip slightly from the last elections four years ago, down a little more than one percentage point, to 61.8 percent. Several winning PAP candidates said after the voting that they were disappointed they had not fared better, and promised to work harder to win over the opposition voters in their districts.

In Singapore, the popular vote total has been considered more significant than the actual seats, since the governing party has always claimed to have the mandate of the vast majority of the country.

The party was shocked in 1984 when it won 63 percent of the vote — 12 points down from the 1980 election — and analysts this year said that any further loss would represent a serious political setback. Some analysts had set 60 percent as a "benchmark" figure that the party needed to win to maintain its credibility, and they predicted that anything less might force a major internal purge.

In the most hotly contested district, that of Eunos, a three-member team from the governing party narrowly edged out an opposition Workers Party slate headed by a former solicitor general, Francis Seow. The government jailed Mr. Seow for 72 days earlier this year, along with other anti-government dissidents, under Singapore's sweeping internal security act.

Analysis had given Mr. Seow a good chance of winning because of a popular backlash over his arrest. Mr. Seow had emerged as the opposition's most articulate candidate, attracting huge crowds to hear his often humorous denunciations of Mr. Lee and the governing party.

The party's team in Eunos won 50 percent of the vote, and Mr.



A BOMB'S AFTERMATH — Officials in Karachi, Pakistan, investigating after an explosion Sunday on a platform at a crowded military railway station. Twelve people were injured.

4 French Navy Ships Are Leaving the Gulf

By Youssef Ibrahim

New York Times Service

PARIS — France announced Sunday it had ordered four of its navy vessels in the Gulf, including the aircraft carrier Clemenceau, to return home.

The move brings down the French naval force in the Gulf region to seven ships.

The announcement came two weeks after a cease-fire between Iraq and Iran came into effect, ending eight years of fighting between the two neighboring enemies.

Iran had been pressing Western countries including Britain and the United States to reduce or eliminate their naval forces in the Gulf, Iranian experts said, in order to give the regime of Ayatollah Ruhollah Khomeini some tangible proof that the cease-fire had brought real gains for Iran.

The ayatollah had repeatedly vowed not to end the war until a military victory was achieved against the regime of President Saddam Hussein of Iraq.

But in an abrupt turnaround in August, he proposed acceptance of a cease-fire with Iraq.

The French defense minister, Jean-Pierre Chevenement, said the pullout was effected in view of "new prospects for peace in the region," but he added that France had no intention of ending its presence in the Gulf.

Mr. Chevenement was visiting Kuwait when the announcement was made, and French officials said he informed Kuwaiti authorities of the move beforehand.

The Socialist government of Prime Minister Michel Rocard was careful to keep the improvement of relations between France and Iran under tight control.

French officials implied that the return to normal relations would be affected by the continued detention of hostages of any nationality in Lebanon by pro-Iranian Lebanese terrorists.

France severed ties with Iran in July 1987 and resumed them this past June.

Talks Still Deadlocked

Reuters and United Press International reported earlier from Geneva:

As Iraq commemorated the anniversary on Sunday of what it regards as the start of its eight-year war with Iran, the peace talks in Geneva were deadlocked, but the United Nations mediator, Jan Eliasson, said he planned no recess despite the mistrust on both sides.

Mr. Eliasson, on the 11th day of Iran-Iraq talks, said that despite "intensive" efforts he had still been unable to get the two sides to engage in face-to-face negotiations.

The Swedish envoy, chosen on Thursday by the United Nations secretary-general, Javier Pérez de Cuellar, to take over Gulf mediation from him, said it was important to work hard to try to get agreement on small issues in order to build confidence.

Iraq, meanwhile, began commemorations on what it considers the date of the start of the war, Iraq says the war began on Sept. 4, 1980, when Iran began shelling two Iraqi border towns.

Iraq regards Sept. 22 as the start of the war.

Japan Vote Aids Takeshita Bid

The Associated Press

TOKYO — The prime minister of Japan, Noboru Takeshita, passed a key test in his bid to overhaul the tax system when his Liberal Democratic Party scored two victories Sunday in provincial elections.

With two-thirds of the votes tallied, electoral results showed that the Liberal Democrats in a conservative northern state, the Fukushima Prefecture, won the governor's race and a seat in the national parliament's upper house.

The victories were a boost to the governing party's attempt to reform tax laws to include a controversial 3 percent consumption tax on nearly all goods and services. It is Japan's third attempt to overhaul a tax system drafted by American occupation officials shortly after World War II.

Hundreds Die as Flooding Spreads Across Bangladesh

Washington Post Service

DHAKA, Bangladesh — Floodwaters spread to cover more than two-thirds of Bangladesh on Sunday, bringing fear and destruction to a people who are accustomed to annual flooding.

Officials said that more than 33,000 square miles were covered by water that has overflowed from the country's three largest rivers and their tributaries, destroying crops, homes and lives.

In Dhaka, more than half the city of six million is completely under water. Water, power and other utilities are out in large sections of the city. One official said that the extent of this year's flooding was "inconceivable."

Unofficial figures put the death toll at more than 600, and observers expect the number to rise dramatically as the floodwaters recede.

7 Die as Cairo Building Falls

The Associated Press

CAIRO — A four-story apartment building condemned as unsafe collapsed Saturday and brought down two houses next to it, killing 7 people and injuring 11. The building had been ordered demolished, but the occupants had refused to evacuate it.

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ECONOMY: For Bush, Prosperity Offers Important Edge Over Dukakis

(Continued from Page 1)

promoting neither big government nor small, but frugal government. In a race as close as this one, both rest their hopes on the votes, not of the poor or of the rich, but of a fickle middle class.

Mr. Dukakis's strength in keeping abreast of Mr. Bush shows up in poll after poll, persuading many political experts that middle-class voters believe he offers them something the Republicans do not.

They say a striking feature of 1988, setting it apart from previous election years, is middle-class anxiety about the future economy that belies widespread contentment about the present.

"There's a lot of data showing the public caught up with a conflict between current economic conditions and concern about the future," Mr. Field said. "It's the first time I've seen that in nearly 50 years of measuring public opinion."

The anxiety, concentrated among many of the 30.5 million families with annual incomes of \$30,000 to \$50,000, is surfacing following the changes that swept through the economy in recent years, like the rise of the working woman and explosion of budget deficits. It reflects worries over the soaring costs of college tuitions and medical care, the next recession's toll on debt-laden families, the an-

guish of parents who try to combine work with rearing children, young people's difficulties in buying homes, the deterioration of the environment and the intrusion of foreign influence into a once largely self-contained American economy.

"If you ask Americans about their own personal situation — how they think they're doing — you find an extraordinary level of optimism," said Karyn Keene, a student of polling at the American Enterprise Institute. "If you ask about the country's economic future, there's an enormous amount of unease and concern. That's the dichotomy in the polls, and Dukakis is trying to respond to the concern about the future."

The Bush campaign doubts that there is such a dichotomy, and even if there is, Bush officials say, the anxiety reflects fears that a Democrat might rob the middle class of its Reagan-era prosperity — not fears of what another Republican president might do.

"Insofar as there is any anxiety," said Robert B. Zoellick, the Bush issues director, "it's because people don't want to lose the tremendous gains they've achieved."

"The issue is the future, not the past," said Christopher F. Edley Jr., the Dukakis issues director. "The question is which candidate understands the challenges that lie ahead. Dukakis believes that a mid-

dle-class squeeze, resulting from stagnant real wages, declining international competitiveness and sluggish growth and investment, creates anxieties that voters want the next president to address."

By emphasizing the problems the economy may encounter in the future and playing on voter nervousness, the Democrats have devised a strategy that could put them in the White House, according to the best-known student of the economy's influence on elections, Professor Ray C. Fair at Yale.

But if that is a winning strategy, political experts say Mr. Dukakis could do more to exploit it. Mr. Bush has blunted the Dukakis message to some extent in offering free-market Republican solutions to the same anxieties, they say. He promises tax breaks to help parents pay for day care, for example, and a reduction in the capital gains tax, to 15 percent from 28 percent, which could appeal to middle-class small-business owners, as well as to the rich.

Mr. Dukakis, political analysts add, may be blunting his own middle-class appeal by harping on his-

torical Democratic themes of limited interest to the middle class, like unemployment, saving old industries, and giving government a bigger hand in the affairs of industry and labor.

The Dukakis opportunity to break the old precedent resides in an economy that has been undergoing extraordinary changes, arguably the most important of the century.

In 1970, 43 percent of all women worked, and by the start of the 1980s, just over half had jobs. Now 57 percent — 50 million women work, making the traditional family of the father-breadwinner and the mother-housewife a shrinking minority. The two-worker incomes now buy what the income of one did when Mr. Bush and Mr. Dukakis were growing up.

Some statistics on family and individual well-being show gains in the course of the Reagan years, but whether Americans are significantly better off than they were as far back as the Nixon years is a matter of dispute.

The government reported last week that median family income, adjusted for inflation, reached a

peak of \$30,853 last year, about \$2,000 above the level in 1980 and about the same as the \$30,820 of the previous peak in 1973. Today's families look better off, however, because they're smaller.

In response to middle-class concerns about the quality of life and the future economy, Mr. Dukakis has been offering a variety of programs that also take account of people's apprehension about budget deficits.

His objectives are not very different from those of the Bush campaign, but the means of meeting them are. Mr. Dukakis would rely more on the carrots and sticks of government to goad the policies along. By deciding where to spread seed money, government would in effect be picking and choosing the industries and jobs of the future. Mr. Bush prefers to allow the marketplace to make those decisions.

Some Democratic political analysts think Mr. Dukakis blurs his appeal to the middle class by dwelling on jobs when most people who want them already have them. They also believe it is a mistake to dwell on the holes in the economy when the long depressions in the Farm Belt and the Rust Belt seem to be abating. He should concentrate instead, they say, on doing more to help the two-income family.

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Dukakis Chides Bush on Jobless

The Associated Press

SIoux FALLS, South Dakota — Governor Michael S. Dukakis has chided Vice President George Bush for calling an increase in the nation's unemployment rate "irrelevant."

The Labor Department announced Friday that the jobless rate for August was 5.6 percent, up from 5.4 percent in July. Mr. Bush called the increase "statistically almost irrelevant."

"Another 300,000 people without jobs," Mr. Dukakis said on Saturday. "The vice president said it was irrelevant. Those are people. Those are our fellow citizens. It's not irrelevant."

POLAND: Walesa Gives Warning

(Continued from Page 1)

Church after his return from the coal fields. "Talks at the table mean compromise."

The strikes that began Aug. 15 were the second wave of serious labor confrontation this year. Five strikes in Poland from April 25 to May 10, and brief work stoppages or strike threats in 25 more work places, constituted the worst labor unrest in the country since martial law.

At their high point, the latest strikes idled 14 coal mines and 9 industrial enterprises, and Interior Ministry officials said a further 39 enterprises in 14 provinces were threatened by work stoppages.

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AMERICAN TOPICS

California Plans to Try British Roundabouts

The California highway department plans to experiment with British-style road intersections, called roundabouts, in an effort to reduce both accidents and traffic jams, the Los Angeles Times reports.

Roundabouts are superficially similar to American traffic circles, but the differences are significant. The roads feeding a British roundabout intersect the circle at a nearly perpendicular angle, forcing motorists to slow down and yield to circulating traffic.

This spells "the difference between a smooth-running, pleasant situation and a white-knuckle situation," says Lee Ounston, a consulting engineer on the California project.

Opponents say roundabouts are unfamiliar and intimidating. But British studies credit roundabouts, which minimize the chances of head-on and broadside collisions, with reducing accidents by 40 to 60 percent and fatalities by as much as 85 percent.

Short Takes

Under the 1986 amendments to the Paperwork Reduction Act of 1980, all U.S. federal forms must contain an estimate of "burden hours" required to complete them.

The Internal Revenue Service has finally conceded what taxpayers already know: You can't compute your income taxes in two and three-quarter hours, the agency's official estimate two years ago.

After authorities learned that a federal inmate in Tallahassee, Florida, planned to escape by helicopter, they had their own helicopter hover low over the prison yard.

USAir finally got its designator code in the Official Airline Guide changed from "AL," which was short for its old name of Allegheny Airlines, to "US," but it took a lot of bureaucratic wrangling.

Three female Andean condors released in the wild in California this month in a rehearsal for the planned release of California condors are now feeding normally on dead rodents offered by their hidden human caretakers.



CALIFORNIA CHORES — President Ronald Reagan watered a new redwood tree, a gift from the White House press corps, at his Santa Barbara ranch as Nancy Reagan watched.

man for the Los Angeles Zoo announced. The condors will remain in the cave until they are coaxed into flying and begin to seek their own food, probably in December.

Notes About People

Chief Justice William H. Rehnquist has criticized the U.S. Senate's confirmation process, saying senators expect judgeship nominees to give instant answers to complex constitutional questions.

President Ronald Reagan, 77, said in a recent speech in Long Beach, California, "When you're my age, everything brings back memories, even other memories."

Arthur Higbee

Rivals in Angola Reinforcing Troops

By David B. Ottaway Washington Post Service

WASHINGTON — Cuba and South Africa are continuing to reinforce their opposing armies along the border between South-West Africa and Angola, with more than 50,000 Cuban troops now stationed in Angola, U.S. officials say.

While revising upward by at least several thousand the U.S. estimate of Cuban troop strength in Angola, the officials denied reports on Friday that Cuba is now sending more soldiers. But they confirmed the continuing arrival of new Soviet war materiel from Cuba.

A State Department spokeswoman, Phyllis E. Oakley, called on both nations to choose the "road of peace" and urged a quick agreement at the next round of U.S.-mediated negotiations.

Tito Chingunji, a representative

in Washington of Jonas Savimbi's National Union for the Total Independence of Angola, or UNITA, said Friday that Cuba was reinforcing its positions in Cuito Cuanavale, where a major battle took place early this year, and is sending more T-55 tanks and MiG-23 aircraft to Angola.

UNITA is not bound by the cease-fire accord reached in early August among South African, Cuban and Angolan forces.

Cuba denies UNITA talks. Cuba has denied reports that it plans to hold talks with UNITA.

A Foreign Ministry statement published Saturday in the government newspaper Gramma said speculation about possible talks with the South African-backed rebel group had been "encouraged by U.S. government spokesmen."

The statement noted that contacts between Cuban and UNITA officials had led to the Aug. 24 release of two Cuban Air Force pilots held prisoner by UNITA for 10 months. But it stressed that "these contacts were strictly limited to the procedures for the return of the liberated prisoners."

Ferit Melen Dies; Former Leader in Turkey Was 82

The Associated Press

ANKARA — Ferit Melen, 82, a former prime minister of Turkey, died of heart trouble Saturday.

Mr. Melen was finance minister from 1962 to 1965 and prime minister in 1972 and 1973. He was defense minister in 1971 and from 1975 to 1977.

He became prime minister after the army, which toppled the conservative government of Süleiman Demirel in 1971 in reaction to extremist kidnappings, killings and bank robberies, installed a "controlled democracy" to run Turkey.

Other deaths: Harold S. Mohler, 69, former chief executive of Hershey Foods Corp., Wednesday of cardiac arrest in Hershey, Pennsylvania.

Vasily F. Mzhavatskaya, 85, who was removed as the leader of the Communist Party in Soviet Georgia in 1972, the Georgian party newspaper reported Friday. No cause of death or date was given.

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Close Race Is Seen in Pivotal U.S. States

By E.J. Dionne Jr. New York Times Service

WASHINGTON — Vice President George Bush and Governor Michael S. Dukakis of Massachusetts enter the decisive stage of the 1988 campaign with Mr. Bush seeking to maintain the offensive and Mr. Dukakis struggling to regain what was once a formidable lead in the race for the presidency.

On Monday, the traditional Labor Day starting mark of presidential campaigns, the two men will find themselves in one of the most fluid contests in recent memory, essentially even in the polls and in the eyes of both campaigns.

A new round of surveys, released Saturday, showed the contest very close in several large states, notably California, the most populous state and where 47 electoral votes are at stake.

Andrew Kohut, president of the Gallup Organization, said, "If you look at all the evidence, you come to the conclusion that the race is dead even."

In a contest that has seen enormous shifts in the polls over very short periods, it is Mr. Bush who has dominated for most of the last three weeks.

The Republican nominee has used the last month to close a 17-point deficit in the polls, despite the unfavorable reception given his vice-presidential running mate, Senator Dan Quayle of Indiana.

At a press conference Saturday, the vice president stressed such issues as the growth in jobs during the Reagan administration and emphasized that in some areas he



George Bush and his wife, Barbara, took a moment to play with their dog after a campaign barbecue at their home in Washington.

would improve on the performance of President Ronald Reagan.

But Mr. Dukakis highlighted one of the central themes of his candidacy with a visit to Ellis Island on Saturday, where he stressed the challenge of opportunity for all.

"We must never forget," he said, "though some would have us do so, that today the rich are getting richer, the poor are getting poorer, and those in the middle must work twice as hard just to stay in place."

He sounded that theme after a week of moving on several fronts to

strengthen his campaign. These moves were seen as a signal that Mr. Dukakis, who is usually wary of sharp changes in approach, had come to agree with critics in his own party who saw his campaign as stalled and insufficiently aggressive in its response to Mr. Bush.

The latest major poll on the campaign, a survey of roughly 300 registered voters in each of five key states conducted by Peter D. Hart Research Associates, showed Mr. Bush and Mr. Dukakis in a close contest for California.

The survey, published Sunday, showed Mr. Bush with a large lead in Florida and a substantial lead in Texas. Mr. Dukakis led in New York and Illinois.

Following is a region-by-region rundown of how the election is shaping up:

New England. Mr. Dukakis will surely win Massachusetts and Rhode Island. Vermont leans Democratic. Maine and Connecticut are both good bets for Mr. Dukakis, but they could shift. New Hampshire good for Mr. Bush.

North Atlantic. Mr. Dukakis probably cannot win if he loses either New York or Pennsylvania. New York now looks Democratic.

So does Pennsylvania, but less so. Republicans see New Jersey as Mr. Bush's best bet in the region.

Deep South. Mr. Bush could sweep it all, though oil problems help Mr. Dukakis in Louisiana. Georgia is probably the second best bet for Mr. Dukakis.

Southern and Border States. Democrats are strong in Maryland, West Virginia and Arkansas; the Republicans are strong in Virginia. Big battles are expected for Tennessee, North Carolina and Missouri. Oklahoma should be Republican, but the oil downturn and having Senator Lloyd Bentsen of Texas on the Democratic ticket could help Mr. Dukakis.

Texas and Florida. Florida seems safe for Mr. Bush. The fight is for Texas, and for the state's conservative Democrats. Mr. Dukakis, who speaks Spanish, has Hispanic voters, Mr. Bentsen and the oil economy in his favor.

Illinois, Ohio, Michigan. All are very close. Ohio seems Mr. Dukakis's best bet. In Illinois, the Democrats could suffer from racial polarization in Chicago. Michigan leans toward Mr. Dukakis, but could easily tilt the other way.

Middle West. A split. The region includes some of Mr. Bush's strongest states: Indiana, Nebraska and Kansas. It also includes some of Mr. Dukakis's best bets: Iowa and Minnesota. Wisconsin leans Democratic. North and South Dakota, usually Republican, could vote either way.

The Rockies. Solid for Mr. Bush are Utah, Idaho, Arizona, Wyoming and probably Nevada. Dukakis targets Colorado, Montana and New Mexico.

California. Perhaps the pivotal state. Part of the fight here is a battle of voter turnout, which pits Democrats in the San Francisco Bay area in the North against Republicans in Orange County in the South.

Pacific Northwest. Oregon looks good for Mr. Dukakis, and Washington and Hawaii lean his way. Alaska likely for Mr. Bush.

Pilots of Delta Jetliner Joked About Crashing

Washington Post Service

DALLAS — The pilots of the Delta Air Lines plane that crashed on takeoff here Wednesday talked about presidential politics, chatted with a flight attendant and joked sarcastically about crashing, according to a source who listened to the cockpit voice recorder.

Recalling the controversy over indicate remarks about a flight attendant made by pilots in a crash last November and published in The Denver Post for the first time last week, the two Delta pilots and the flight engineer said they should say something about flight attendants so the news media would have something to write about when they crashed, according to the source.

The pilots' conversation on the tape, aside from its colorful nature, is considered an important factor in the accident by investigators only if they conclude that it distracted the pilots from their duties.

Federal air regulations require pilots to speak only about flight operations from the time they push back from the gate until they are 40,000 feet (3,000 meters) high.

No flight attendants are allowed in the cockpit unless they are briefing the pilots on matters concerning the flight. The rules, however, are subject to some interpretation, particularly if a jet is forced to sit on the tarmac for 20 or 30 minutes, as the Delta jet did, waiting to take off.

A Delta spokesman, Bill Berry, said Saturday that Delta had not seen a transcript of Flight 1411's cockpit recording, but he said that Delta pilots had "a certain amount

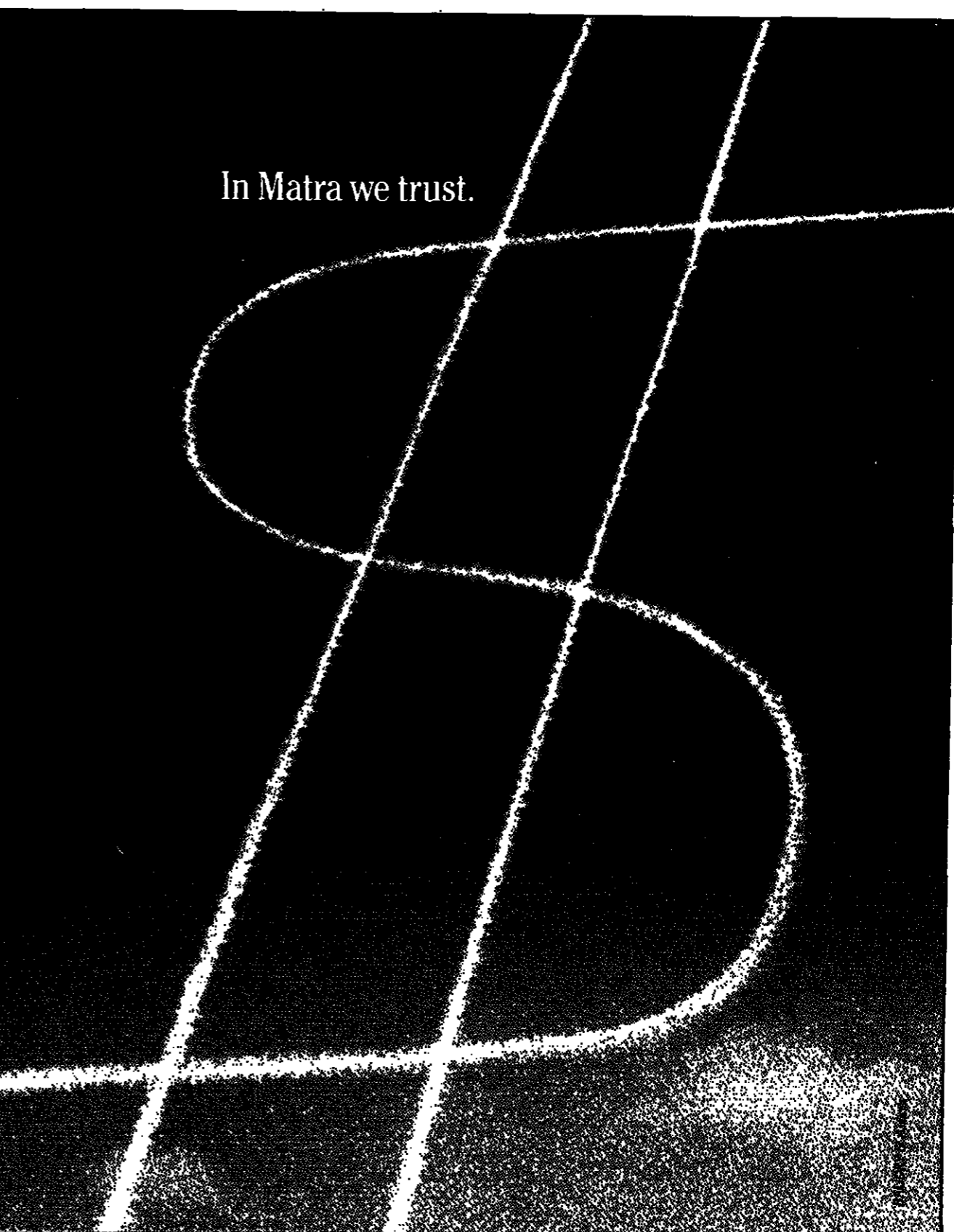
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U.S. Spy Satellite Stuck in Wrong Orbit

New York Times Service

NEW YORK — A U.S. spy satellite launched last week is reported to be stuck circling the Earth in a flawed orbit, forcing the military to continue to rely on old systems to learn of an impending missile attack and to monitor Soviet communications.

The satellite was placed in a successful preliminary orbit. But a source close to the project, who spoke on condition of anonymity, said the satellite had not achieved the desired orbit, 22,300 miles (33,600 kilometers) up, when the

Titan rocket's upper stage failed to reignite.

The satellite reportedly remained in a sharply elliptical orbit, ranging from about 100 to 22,300 miles above Earth.

He also stated that there was little hope of saving the mission.

Captain Ken Warren, a spokesman for Patrick Air Force Base, in Florida, said on Saturday that a Titan 34D rocket on Friday had "successfully launched" a secret military payload into space. But he added that the Air Force, as a rule, made no comment on the perfor-

mance of classified cargoes in orbit.

Jeffrey T. Richardson, the Washington-based author of "The U.S. Intelligence Community" and a private expert on spy satellites, said: "If they can't recover most of its capability, you could have a serious loss of coverage if other satellites already up there reach the end of their lifetimes or otherwise begin to fail."

"It is certainly something that will be used by opponents of East-West treaties on the grounds that they can't be verified."

Private experts believe the satellite is a type named Vortex. These

spacecraft unfurl a giant antenna in orbit to monitor Soviet missile tests, radio, telephone, radar, and other electronic military and diplomatic communications.

Such electronic intercept satellites are believed to cost \$300 million to \$500 million.

To function correctly, a Vortex-type surveillance satellite should be in a circular orbit 22,300 miles above the Earth. Such an orbit would keep it circling the Earth in step with the Earth's rotation, and thus keep it above the same point on the ground.

KURDS: A Sense of Loss

(Continued from Page 1)

made extensive use of internationally outlawed chemical weapons during its war with Iran, according to a recent United Nations report, and Kurdish spokesmen in Europe have claimed it is being used in the troubled north of Iraq.

A Turkish official who interviewed many refugees said they had told him of aircraft dropping blue-painted canisters that spread a gas smelling of apples or pears. Then they felt a constriction of the throat and a stinging in the eyes. Some fugitives, the official said, had made it here, then died after reaching sanctuary.

Others had more confused, second-hand accounts of chemical weapons being used against neighboring villages. "The only thing we fear," said Salim Hamid, 50, who was clad in the khaki uniform of the Pesh Merga, "is poison gas."

Rumor of the use of chemical weapons was sufficient to send many Kurds fleeing.

"The people here were the population who lived close to the border," said a French physician, Bernard Benedetti, surveying the 20,000 Kurds, including hundreds of unarmed guerrillas, spread in the Kadishah Valley above this border village. "When they heard there was an offensive, they fled."

Dr. Benedetti, from the Paris-based organization Doctors of the World, and a Turkish paramedic, Mehmet Selim Tunc, said they had



Kurds waiting to be checked by police commandos near the border in Turkey after fleeing from Iraq.

KOREA: Seoul Shifts Into Overdrive as Run-Up to the Olympics Begins

(Continued from Page 1)

confident, to accept the old ways. Hyundai and Daewoo build and sell red cars; Seoul's restless tycoons trade with Communist China and eagerly eye the coal in North Korea. Just as Seoul residents put handkerchiefs to their mouths and carry on with their lives when tear gas drifts from the campuses, so the city itself rises around and beyond the tank traps and riot police.

For centuries, Koreans proudly say, they paid tribute to the emperor of China without sacrificing their independence. Today, Seoul

digests imports from Japan and the United States, always stamping them as its own.

Koreans eat Japanese-style sashimi, or raw fish, not with a delicate Japanese-style hint of horseradish and soy — which the Koreans think is pale and flavorless — but with fiery red chili paste and hunks of raw garlic, which to Japanese is unspeakably crude.

The street stalls of Seoul's teeming marketplaces have not yielded to the gleaming department stores of the middle-class neighborhoods south of the river. Doing business late into the night under a single

naked light bulb, they still offer toad and dumplings, grain alcohol and cane liquor, pig heads and noodles and even, like the Chinese, dog meat.

But in a nod to the modern era, some provide Samsung television sets perched on stands above the stalls. Others sell Spam and M&Ms, which somehow find their way from U.S. Army PXs to the narrow market lanes.

Pastor Paul Yonggi Cho is a resident of Seoul, born, like so many others in the capital, in a small village. Today he shepherds the largest congregation in the world, the Yoido Full Gospel Church.

He is not the kind of Korean minister whom foreigners often meet, the black-suited human rights activists who have led the fight for independence and democracy since early in this century. Like the brash, entrepreneurial founders of Hyundai and Daewoo and Samsung, Pastor Cho is an empire-builder, a man with big accomplishments and big plans.

In 1958, his first church, in a tent, attracted five followers. Today, his 530,000 church members are tracked by church computers and organized into neighborhoods, blocks and 60,000 "cells" of 10 or so worshippers each.

Pastor Cho says the rapid urbanization of the nation, from three-quarters rural in 1955 to about one-quarter rural today, encourages conversions. Traditionally Buddhist and Confucian, South Korea has more than 12 million Christians now, with fundamentalist churches attracting most of the converts in recent years. Red neon crosses of storefront churches glow from every Seoul hilltop at night.

Korean tenacity is everywhere in Seoul. It is in the high school girls who rent desks at commercial study halls because there is no room at home, and who study every night until after midnight. It is in the suave government bureaucrats with Berkeley and Georgetown doctorates who work late every night charting the nation's course.

It is in the dissident lawyer, jailed and disbarred for representing the politically unacceptable, who nonetheless speaks warmly of a prosecutor with whom he went to school, because in Seoul human relations and networks remain paramount.

And it is in the businessmen who, never fully accepted in this Confucian society that views the entrepreneurial spirit as something a little unclean, have nonetheless struggled to turn Seoul into a trading capital of the world.

TOMORROW: Overcoming Adversity

found no trace of injuries inflicted by chemical warfare among the refugees here.

But that, the doctor said, was not an immediate concern. High above the Kadishah camp, along a ridge line, Iraqi soldiers could be seen patrolling the frontier. On Sunday, an Iraqi Air Force helicopter briefly crossed the frontier.

Turkey has given the Kurds temporary sanctuary, but Iraq has now sent its forces to seal the frontier from its side, Dr. Benedetti said, citing information from Turkish military officers.

"There are people there who want to flee and cannot," he said. Travelers here reported that Iraqi forces crossed into Turkey briefly and fired on fugitive groups Saturday, killing at least one.

Turkey has provided food, but few medical supplies have arrived to combat diarrhea among the children.

"We do not have enough medicine," said the Turkish paramedic, Mr. Tunc, "and there are so many people needing medicine."

Iran Involved, Iraq Says

Paul Lewis of The New York Times reported earlier from Geneva: Foreign Minister Tariq Aziz of Iraq says Iran had encouraged a Kurdish uprising in northern Iraq and provided the rebels with arms and other supplies as part of its "military effort" against Iraq during the Gulf war.

Mr. Aziz said in an interview on Saturday that as soon as Iraq accepted the Gulf War cease-fire with

Iraq last month, the Kurdish dissident leaders realized their rebellion was doomed and decided to flee with as many supporters as they could muster into neighboring Turkey and Iran.

Mr. Aziz accused the two principal Kurdish rebel leaders, Mansour Barzani and Jalal Talabani, of seeking "to create publicity" for themselves by encouraging women and children to flee into Turkey.

Ordinary Iraqi Kurds who left the country in this manner are free to return "any time they want," the foreign minister said.

But he called Mr. Barzani and Mr. Talabani "traitors" who had collaborated with the enemy during the Gulf War, and said "they should be hanged."

TUTU: Archbishop Urges a Boycott of Municipal Vote

(Continued from Page 1)

be surprised if the law is applied to them.

"While they can say what they want," Mr. van der Merwe said, "they resent it when anyone attacks them. I want to tell them now, they are not untouchable."

For months, Archbishop Tutu has been at the forefront of a growing confrontation between church and state over apartheid and new restrictions placed against 17 major anti-apartheid organizations and South Africa's largest black labor federation, the Congress of South African Trade Unions.

In his sermon on Sunday, marking the installation of the first mixed-race Anglican dean of Cape Town, Canon Colin Jones, Archbishop Tutu said white and black South Africans must show love and respect for one another or invite a continuation of "race madness."

"You cannot get security through the barrel of a gun," he said, "nor through the draconian and oppressive state of emergency, nor through bomb blasts."

This was a reference to the bombing last week in Johannesburg of Khosho House, headquarters of the South African Council of Churches and other anti-apartheid groups.

Government officials have said the stakes in the municipal elections are high, involving the credibility of black township councils and the future of participatory politics among blacks.

Pretoria is counting heavily on the success of the elections to clear the way for planned regional elections of black representatives who would serve on a proposed National Council and negotiate constitutional reforms for power-sharing at the central government level.

Suzman Sees Mandela

John D. Battersby of The New York Times reported earlier from Johannesburg:

Helen Suzman, a prominent South African civil rights advocate, said after a private meeting with Nelson Mandela that the imprisoned African National Congress leader would act as a moderating influence if he was freed.

"I am convinced he would be a key figure in any negotiating process and would act as a brake on extra-radical elements," said Mrs. Suzman, who has long been a member of the South African Parliament.

Mrs. Suzman, who has met Mr. Mandela on several occasions dur-

ing his quarter-century behind bars, was allowed for the first time to meet the black nationalist patriarch without a prison guard being present on Friday. Mr. Mandela is under guard in a private clinic in Cape Town, recovering from tuberculosis.

"We had a wide-ranging discussion about all sorts of things," Mrs. Suzman said. "I found him to be very well-informed on current events."

She added that she did not expect the government to put Mr. Mandela back in Pollsmoor Prison in the near future, but she predicted that he would be allowed a lengthy period of recuperation in the Constantiaberg clinic.

Dr. J. G. L. Strauss, medical superintendent of Tygerberg Hospital, where Mr. Mandela was treated, said Friday that the disease required a convalescence of "up to two to three months."

Man Held for Bush Threats

The Associated Press

SPRINGFIELD, Missouri — Police arrested a man who allegedly tried to carry a gun onto an airplane and made threats against Vice President George Bush, authorities said Saturday.

FOREST: Indonesians Worry That Their Timber Boom Might Backfire

(Continued from Page 1)

trees indiscriminately to make it easier to remove the relatively few valuable species from the jungle.

"In practice, it's difficult to tell the difference between selective cutting and clear felling," said Agus Pramono, executive director of the Indonesian Environmental Forum, a conservationist group.

He and other conservationists are concerned about the accelerating rate of deforestation in Indonesia and the failure of official regulations to control it.

Forests cover about 60 percent of Indonesia, with the heaviest growth in Kalimantan, Irian Jaya, which occupies the western half of New Guinea island, the Moluccas and Sumatra.

When the meranti and other commercially valuable trees are removed, cleared areas are used as land for settlement, partly to ease overcrowding on the central island of Java, where 100 million of Indonesia's 175 million people live.

To reach the cleared land, settlers and miners often follow tracks carved out by loggers.

About half the deforestation in

Indonesia each year is caused by farmers who cut and burn the jungle, the World Bank says.

Some of this settlement is uncontrolled, while some is organized by the government under a transmigration program that has moved more than 3.5 million people from Java to sparsely populated outer islands since 1969.

All forests in Indonesia are state-owned, but substantial tracts are controlled by about 500 concession holders. Hira Jhamtani, information officer for the Indonesian Forestry Conservation Network, a nongovernment agency, said that the concession system had not been well managed.

Many of the concession holders, she said, are former high-ranking military officers and civilian officials who were given concessions as a reward for government service. "It's a kind of pension fund," she said.

Concession holders, she said, lack the expertise or the capital to carry out logging operations, so for a share of profits they sublease their tracts to local and foreign logging companies.

In the remote jungle locations,

"operating and reforestation regulations are rarely, if ever, checked," she said. "Various illegal operating conditions go unnoticed or are often ignored."

A study by the Food and Agriculture Organization, a United Nations agency, reported that logging companies found it cheaper to forfeit bond money they pay into a special account with the Ministry of Forestry than to plant and manage seedlings in difficult jungle terrain. The bond money is supposed to be used by the companies for reforestation.

Mr. Salim of the Population and Environment Ministry conceded that the enforcement of forestry rules was difficult in a country as big as Indonesia.

He said that if Western nations and Japan were genuinely concerned about the impact of tropical forest destruction on global weather patterns and temperature, they should agree to pay more for timber imports from the Third World so that countries like Indonesia could reduce the volume of production while maintaining its income.

The World Bank recently agreed

to lend \$34 million to Indonesia to finance improvements in forestry planning, management and conservation.

The government plans to conserve about one-third of the forest for water catchment and wildlife preservation, while gradually converting the remaining two-thirds to sustained-yield tree plantations, tree crop estates and agriculture.

How much forest remains of Indonesia's 191 million hectares of land is in dispute. The Ministry of Forestry says there are 144 million hectares of forest; the World Bank puts the figure to 114 million hectares.

The bank also said that the rate of logging in concession areas was believed to be substantially above officially reported levels. Miss Jhamtani said the concessions covered 53 million hectares.

About 60 percent of Indonesia's timber production is from Kalimantan, and most of the country's 300 sawmills and 100 plywood factories are here.

Because of rapid deforestation, officials have said in recent months that they wanted timber companies to shift operations to Irian Jaya.

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DER SPIEGEL

Trial of Brezhnev's Son-in-Law (and Maybe an Era) Set to Start Monday

By Felicity Barringer

MOSCOW — The defense lawyer insists that it will be a straightforward trial to determine whether nine men bilked the Soviet government out of millions of rubles.

But many Muscovites find it hard to see Yuri M. Churbanov, the lead defendant in the case that opens Monday, as anything but an apt symbol and scapegoat for the now-discredited regime presided over by his father-in-law, Leonid I. Brezhnev.

It will be even harder to avoid the obvious connection if the former Soviet leader's daughter, Galina L. Brezhnev, appears as a defense witness, as the defense attorney, Andrei Makarov, promised in a television interview Friday.

Mr. Makarov said in an article in the weekly newspaper Moscow News, "Churbanov is indicted for bribe-taking and abuse of office, and if he is found guilty he is to be punished for his own misdeeds."

It would be a mistake, he said, "to try and judge Brezhnev under Churbanov's name."

But many in Moscow still remain skeptical about whether the government of Mikhail S. Gorbachev, the Soviet leader, can resist using the trial as an object lesson showing the corrosive effect of the policies and management of the 1970s and early 1980s, long since officially dubbed the "era of stagnation."

"They may not want it to be a trial of the era," a Muscovite said Sunday in discussing the trial, which will be held in an open courtroom. "But it will be."

Last week, an article in the Communist Party newspaper Pravda portrayed Mr. Churbanov as a man who fawned and faked his way to the top, a small-time whose rise to the number-two job in the Interior Ministry reflected the monetary and moral corruption of the world around him.

Describing Mr. Churbanov, 51, as "a man of mediocre talents, distinguished only by his outstanding opportunities and scope," Pravda added, "He had something else — power. And Churbanov didn't just use

this for his own goals. He was a powerful, influential tool in the hands of people more clever than he."

But an article by a lawyer in the government newspaper Izvestia on Friday seemed to rebuke Pravda and other Soviet journalists for their attitude toward the trial.

Without mentioning the Churbanov case specifically, Izvestia's legal expert, Yuri Feofanov, wrote that "a sentence handed down before the trial by a journalist" could easily "influence the sentence handed down by the court."

"To go against a torrent of public passions," he said, "is not easy even for independent judges."

Reminding his readers of the show trials of the 1930s, public spectacles at which the accused often confessed to their supposed crimes, he said, "In discussing Stalinist lawlessness, we justly rebuke the press of those times which was influenced by fear. We reproach public opinion for the fact that honest people were branded criminals and enemies of the people 'a priori,' in the absence of any kind of evidence.

"The law must remain the law," Mr. Feofanov said. "Persons suspected of even the most severe crimes are not guilty until their guilt is established by a court."

The Pravda story had been preceded several months ago by televised interviews with prosecutors and investigators, programs that included filmed footage of the stacks of rubles that prosecutors say the conspirators earned while selling their patronage power and their influence.

To add piquancy to the case, most of the worst offenses are said to have taken place in Uzbekistan, the Central Asian republic and cotton-growing center of the Soviet Union whose reputation for organized lawlessness and violence rivals that of prohibition-era Chicago.

The Churbanov case, however, may provide some intriguing detail about the Brezhnev family and the headstrong and flamboyant Galina Brezhnev, in addition to revelations about her husband's business dealings.

Pun on 'Ovens' Lands Le Pen in Trouble

By Steven Greenhouse

PARIS — Jean-Marie Le Pen, the leader of the French far right, has been condemned by politicians and leaders of human rights and Jewish groups for a joke about World War II crematoriums.

Mr. Le Pen, leader of the National Front political party, made the joke, a play on words, during a speech on Friday.

In attacking Michel Durafor, a centrist politician who was named minister of public service by the socialist government, Mr. Le Pen called him "Mr. Durafor-crematoire."

In French the word "four" means oven, and "four crematoire" is the term used for the crematoriums used to burn the bodies of Jews during World War II.

Mr. Le Pen's remark follows a storm of criticism that he caused a year ago when he said that Nazi gas chambers were just a "minor point" or "detail" of history.

Alain Juppé, secretary-general of the Rally for the Republic, the main conservative party, responded to Mr. Le Pen's play on words by saying, "There are words one does not make jokes about."

Le Figaro, a conservative Paris newspaper, and Libération, a leftist

daily, ran stories Saturday with identical headlines: "Le Pen commits a second offense."

As with last year's remark, Mr. Le Pen's statement about crematoriums was met with accusations that the rightist politician, whose party seeks to limit Arab and African immigration into France, was xenophobic and also anti-Semitic.

In the first round of the French presidential election, April 24, Mr. Le Pen received more than 14 percent of the vote.

Jean-Jack Queyranne, the Socialist Party spokesman, said, "Mr. Le Pen is showing what he is at



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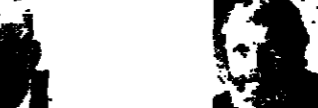
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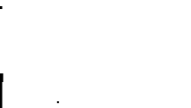
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Gaultier's sans-cabotte stripes and brocade vest (left) contrasted with Montana's soft, romantic lines in Paris men's fashion shows.

Codpiece Gets a Revival In Gaudy Gaultier Show

By Suzy Menkes

International Herald Tribune

PARIS — Now that the macho shoulder line has withered away, what is the new focus of men's fashion in the French spring/summer shows?

Jean-Paul Gaultier, one of the weekend's star designers, puts the emphasis where it hurts the male ego least. He cut out a codpiece shape from regular pants, or

cotta and chestnut, and his models had changed from rummy to romantic, with rosy cheeks and tendrils of curls.

The result was a very fine collection, almost entirely in linen with silk and viscose. Pants were all wide and soft — a line that worked better with the short mess jackets than the long fitted ones. Montana's favorite black leather (which the designer wore himself to receive the ovation) was replaced on the runway this season with inky blue suedes delicately worked with topstitching and braiding.

The shirt was the star at Comme des Garçons, where Rei Kawakubo has a new lower-price line called Shirt, along with her Homme Plus. An over-shirt with weak points was worn under the jacket, or a vest front came with just suspenders crossing at the back to show off more of the shirt. Pyjama stripes (or was it that Revolution again?) were used for pants and jackets. These seemed at first regular in cut, but had an extra fashion twist — contrast fabrics for the sleeves or a one-button neck fastening. The collection, from this solemn designer, had a light and contemporary touch that makes the clothes collectors' items for the fashion aware.

Cerruti's collection was best when it dealt in the quiet tailoring for which the designer is known, jackets shadowing the body closely, but never gripping it. Suits sometimes came with a vest, always with wide pants, and the collection was a lesson in fabrics, using a lot of silk mixed in with linen. Colors were drawn from a Tuscan landscape — the pale blue of rain-washed sky, dusty terra-cotta pink, baked earth beige and the silver of olive groves.

Wide over-the-knee shorts, like sawed-off baggy pants, looked odd.

Thierry Mugler drew clothes to the body line, but that is nothing new for this designer, who produced his familiar inverted triangle silhouette — out at the shoulders, in at the waist, with dagger-sharp seaming and narrow pants. Most of the jackets were collarless; most of the colors day-glo bright. Peacock, electric blue, acid yellow, emerald green and shocking pink (sometimes two mixed together in one outfit) left a sour taste. The effeminate Mugler, wearing his own favorite sky blue, looked best.

PARIS FASHION

ressed his models in cowboy chaps — overtrousers cut away at the inside leg. This left a fig leaf of boxer shorts, fancy underpants or tautly stretched swim shorts.

Just in case we hadn't got the message of man as sex object, Gaultier also showed urban T-shirts in animal-print jeans or baggy dungarees and "butcher" aprons.

For the beach he had brief swimwear in shiny black vinyl or romper suits with starfish motifs on the buttocks. His long line of tuxedos included a hotrod, worn over silky pants, that made it easy to tell the boys from the girls.

Gaultier also hovered around another erogenous zone: the chest. The cowboy vest was worn over a naked torso or cut backless to show rippling muscles. Tight T-shirts also went for the pectorals.

With a sideways swipe at French Revolution fever, Gaultier also offered the striped pants of the sans-cabotte (with cut-out codpieces and spotted undershorts) and vests in 18th-century brocades, which were stunning.

As always, this show was the best entertainment in town, with the far-out U.S. designer Stephen Sprouse as a runway model, groups running wild and some sleek suits and inventive sportswear under the cowboy fringes and brocade.

Claude Montana went for the waist. The sound of his shoulder pads dropping out of sight could be heard from the Arc de Triomphe to the Eiffel Tower. Montana, founding father of the coast-banger silhouette, has gone soft.

Shoulders sloped gently away on jackets that were cropped short or pinned to the figure with panel seaming. Montana used a subtle palette of stone, bois de rose, terra

Priests Who Followed Rebel Bishop Are Returning to Fold, Vatican Says

By Roberto Suro

New York Times Service

ROME — In the two months since Archbishop Marcel Lefebvre was excommunicated from the Roman Catholic Church, a steadily growing number of priests have defected from his ranks and have offered their loyalty to Pope John Paul II, Vatican officials say.

The largest defection thus far became known last week as Vatican officials acknowledged that they had reached an agreement with a group of 20 French monks that had abandoned the radically conservative archbishop but has been permitted to continue its traditionalist practices under Rome's auspices.

This compromise with the monks at the Benedictine abbey in France, signaled the Vatican's willingness to offer the archbishop's followers a certain latitude. Vatican officials said negotiations were under way with others, including about 30 priests and seminarians in Fribourg, Switzerland.

Archbishop Lefebvre, who is best known for his insistence on saying Mass in Latin, was excommunicated on June 30 after he consecrated four bishops against the pope's order. That act constituted the first major schism in the church in more than a century.

Although the archbishop has been in conflict with the Vatican over church doctrine and practices for more than 20 years, he was not punished for his views. Instead, he was expelled from the church for defying papal authority.

Except for the four bishops ordained in June, who were also excommunicated, the Vatican's punishment of Archbishop Lefebvre has not included his followers. A commission headed by Cardinal Paul Augustin Mayer, of West Germany, was created to bring the 250 or so priests who supported the archbishop back into the church.

"The commission has received many inquiries and arrangements have been made in a significant number of cases from around the world," the chief Vatican spokesman, Joaquin Navarro-Valls, said.

"It is the sort of action we were awaiting," he said. "When you consider the relatively small number of priests that were loyal to the archbishop, then movement by groups of 10 or 20 or even four clerics gradually adds up to something substantial."

Many priests loyal to Archbishop Lefebvre have continued to preach a brand of Catholicism at variance with church teachings on several points. The archbishop, who has declared that the Vatican is filled with "antichrists," rejected many of the principles affirmed by the Second Vatican Council, which closed in 1965. Among those principles are the promotion of religious liberty for all, the need to establish positive relations with other branches of Christianity, and the sharing of responsibility between the pope and bishops.

The agreement reached with the Benedictines of Barroux clearly indicates that the pope is not asking the archbishop's followers to change all their beliefs to rejoin the church. According to senior Vatican officials, the monks have not been required to renounce the archbishop, and they have been permitted to preserve their liturgy and dogma practices.

"The juridical ties between Archbishop Lefebvre and these priests was so loose," a senior Vatican official said, "that formal repudiation is not an issue. Instead, it is a matter of discussing certain attitudes and ascertaining their acceptance of basic matters."

daily, ran stories Saturday with identical headlines: "Le Pen commits a second offense."

As with last year's remark, Mr. Le Pen's statement about crematoriums was met with accusations that the rightist politician, whose party seeks to limit Arab and African immigration into France, was xenophobic and also anti-Semitic.

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Jean-Jack Queyranne, the Socialist Party spokesman, said, "Mr. Le Pen is showing what he is at

27 Die in Nigeria Bus Crash
LAGOS — Twenty-seven persons were killed Friday when a bus collided with a truck in the northern state of Niger, the newspaper Concord reported Saturday.

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OPINION

INTERNATIONAL **Herald Tribune**

The Poles Have No Choice

It is not the clear triumph of Aug. 31, 1980, when Lech Walesa announced that Poland's Communist government had recognized an independent trade union.

economic crisis. Younger, more radical workers regard such pragmatism as insufficiently militant — but they are in no position to hold out alone.

Sweden's Painful Mystery

Swedish politics, usually cool and serene, is gripped this year by the aftermath of a murder. On Feb. 28, 1986, Prime Minister Olof Palme was shot dead on a street in Stockholm.

trying to cut off the flow of arms to the Iranians. Mr. Carlsson did not get far before his activities became public.

Jackson Is Still Waiting

The Reverend Jesse Jackson said in Atlanta that he wanted no big job in the Democratic campaign and no title.

residual hostility among many Jewish voters. Mr. Jackson did well in Michigan's caucuses.

Other Comment

Shamir's 'Old West' Approach
Prime Minister Yitzhak Shamir of Israel has taken yet another dangerous step toward outright civil war by proposing that not only Israeli soldiers but civilians be allowed to shoot Palestinians who throw rocks.

A Limited Rapprochement
China and the Soviet Union are not about to become bosom friends. But they are doing what they can to improve ties and reduce tension.

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Poland: A New Cycle of Broken Promises?

By Flora Lewis

PARIS — There is neither euphoria nor despair in the Polish regime's new agreement to negotiate with its people, whom the government has openly come to call "the opposition."

question is not whether Moscow will send troops any day, but whether disorder in Poland would provoke his ouster and a freeze on all reform.



For Dukakis, South Looks Inhospitable

By David S. Broder

JACKSON, Mississippi — When John F. Kennedy campaigned in the South in 1960, he had a favorite line. Citing the names of the senators and representatives from whatever state he was visiting, he would ask, "Why would you send good Democrats like these to Congress and turn around and vote for a Republican like Dick Nixon for president?"

On the Outbreak of Peace and the Limits of Force

By Stanley Hoffmann

CAMBRIDGE, Massachusetts — War that has raged for years is ending. The Reagan administration has been quick to argue that this results from its policy of strength.

draw its forces from Afghanistan without asking Moscow to solve the problem of a new government, as the Pakistanis demanded.

The Palestinians Look Again to the Algerian Example

By John K. Cooley

LONDON — After decades of hesitation, will the Palestine Liberation Organization finally take the plunge and decide in Algeria this fall to form a provisional Palestinian government-in-exile?

Now that the Iran-Iraq war is at least suspended, Baghdad is likely to reinvigorate its deadly rivalry with Damascus.

100, 75 AND 50 YEARS AGO

1888: Papal Diplomacy
PARIS — A despatch from Rome states that the Concordat between the Czar and the Pope is now preparing.

1938: Czechoslovak Crisis
NUREMBERG — From Berchtesgaden, his retreat in the Bavarian Alps, Chancellor Hitler went there to medieval Nuremberg, where the atmosphere will be charged with the favor of nearly one million of his followers.

1913: Fashion Brouhaha
NEW YORK — "There is nothing immoral in the slit skirt, the diaphanous dress or any other of the present forms of woman's attire."

Aerospace: Commercial Imperatives

COUNTDOWN For the Shuttle

Aug. 3, 1987

Engineers for the National Aeronautics and Space Administration switch on the power of the space shuttle Discovery at Cape Canaveral, Florida, for the first time in more than a year, starting the long process of preparing the ship for a flight scheduled for June 2, 1988.

Aug. 27, 1987

The first full-scale test-firing of the shuttle booster rocket in Utah is aborted less than 20 seconds before it was to begin due to a failure in the cooling system.

Aug. 30, 1987

The first redesigned shuttle booster rocket is successfully tested in Utah.

Dec. 23, 1987

The failure of two critical components during the second full-scale test-firing of the redesigned booster rocket forces the delay of the first post-Challenger shuttle flight until at least August.

June 16, 1988

The fourth test-firing of the redesigned rocket is conducted successfully in Utah.

July 4, 1988

Discovery is moved to the launch pad at Cape Canaveral for attachment to the booster rocket and advanced testing.

Aug. 4, 1988

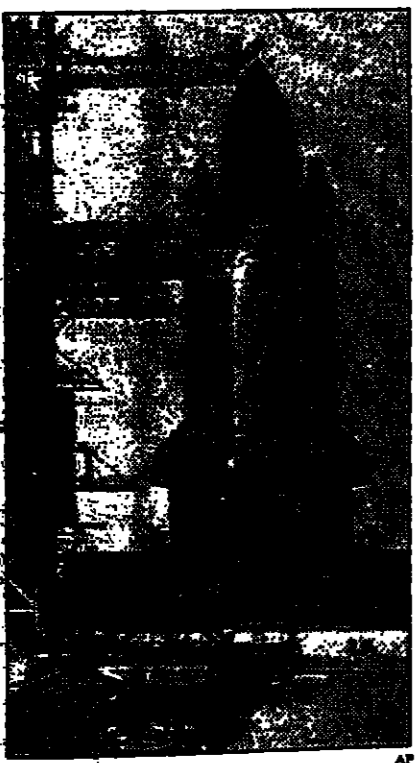
NASA aborts a crucial test-firing of Discovery's engines a fraction of a second before ignition when computers reported a valve problem. The delay threatened to push back further the launch, now planned for late September.

Aug. 10, 1988

Discovery successfully fires its three engines in a 22-second launching pad test — its toughest preflight check before launch.

Aug. 18, 1988

The fifth preflight test-firing of the redesigned solid-fuel booster rocket, riddled with 14 intentional flaws to challenge new safety features, appeared to go without incident at the Utah test facility of Morton Thiokol. NASA expressed hope that Discovery could be launched during the last week of September.



The space shuttle Discovery.

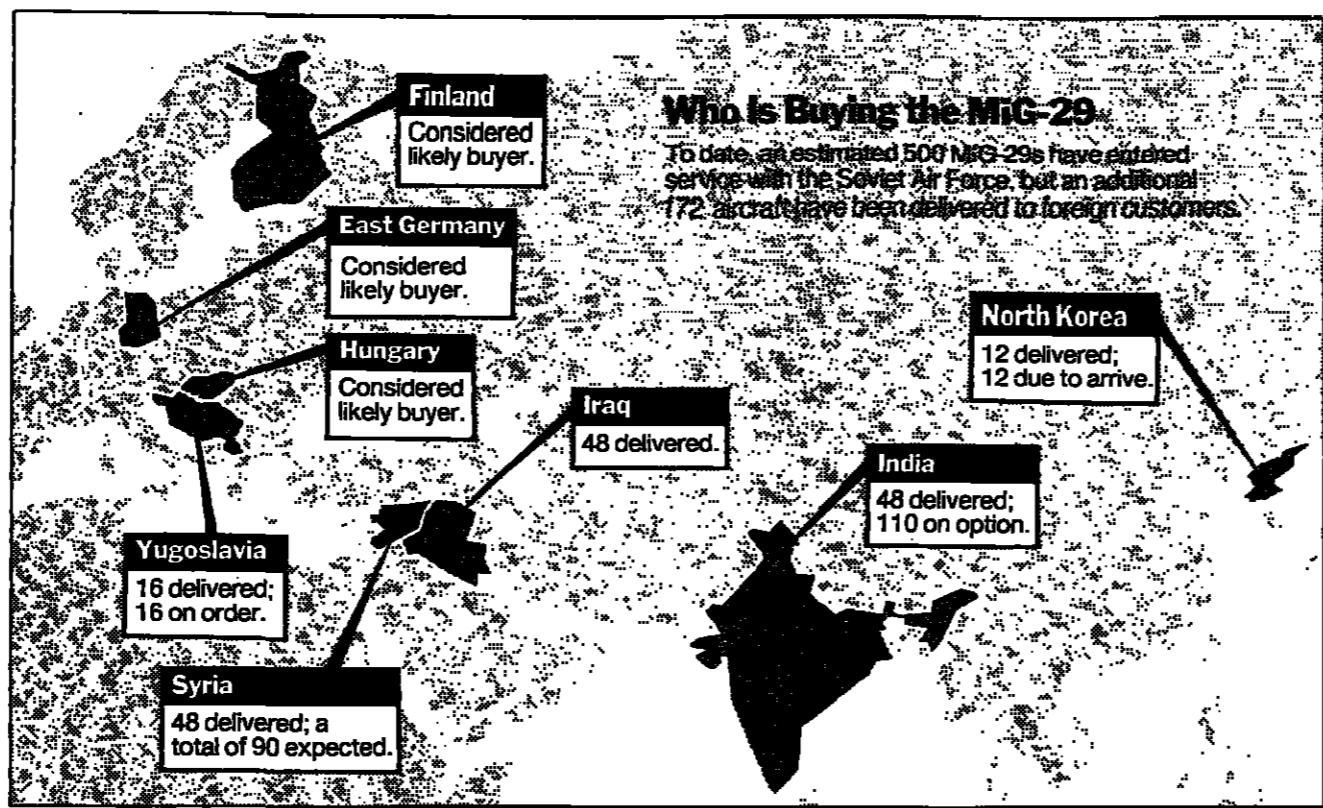
IN THIS REPORT

German Merger II
The debate in West Germany over the merger of Daimler-Benz with MBB raises the issue of Airbus subsidies.

Air Safety II
New technology could improve air safety considerably, but the industry and air traffic controllers seem unwilling to embrace new ideas.

Crew Training III
The United States is launching a program aimed at training pilot crews to work more efficiently together in an effort to improve air safety.

Leasing Aircraft VI
With the demand and cost for new aircraft rising rapidly, leasing has emerged as a viable way for many airlines to finance the expansion of their fleets.



Soviets Push MiG-29 Marketing

By Kenneth R. Timmerman

WESTERN intelligence agencies, aerospace executives, and aircraft buffs began lining up on Sunday at the air show in Farnborough, England, to catch a glimpse of the Soviet Union's newest showpiece, the MiG-29 air superiority fighter. The Soviets hope the display will help them win lucrative export contracts in the Third World and with their own allies.

It will be the first time they have used an international air show to sell their wares.

With the MiG-29, the Soviets have launched an aggressive new marketing policy that may herald unforeseen changes in Soviet foreign policy in coming years.

According to U.S. Defense Department studies, the first MiG-29 Fulcrums, as they are designated by NATO, entered service with the Soviet Air Force in late 1984. But already in March of that year, then Defense Minister Dimitri F. Ustinov formally offered to sell the aircraft to India during an official visit to New Delhi.

Even more unusual, when the Indians

General Dynamics F-16 from their short list. The Finns are now expected to buy the MiG.

To date, about 500 MiG-29s have entered service with the Soviet Air Force, while an additional 172 aircraft have been delivered to foreign customers. The latest customer was North Korea, which received 12 of the new fighters over the summer and is expected to receive at least another 12 in the coming months.

It joined India (48 delivered, 110 on option), Iraq (48 delivered), Syria (48 delivered, a total of between 90 and 150 expected), and Yugoslavia (16 delivered in early 1988, another 16 on order).

According to Aaron Karp, arms trade specialist of the Stockholm International Peace Research Institute, Hungary, Finland and East Germany could be next.

"This is the first time the Soviets have actually gotten involved in a sales campaign for a new military aircraft," Mr. Karp said. "Always before they either gave them away or sold them at discretionary prices."

Continued on page III

New Focus on Safety

Business Stakes High At World Air Shows

LONDON — More than 300,000 visitors are expected at the eight-day Farnborough International Air Show that opened Sunday. The biannual event, which is held in alternate years to the Paris Air Show at Le Bourget, is, like its French counterpart, a magnet for the world's aerospace industry.

Both events have long histories. Farnborough began 40 years ago when its organizers, the Society of British Aerospace Companies (SBAC), held the first show at Britain's Royal Aircraft Establishment airfield, 40 miles (64 kilometers) southwest of London.

Crowds of enthusiasts will, as they did in 1948, turn out for the traditional flying displays. A principal attraction this year will be the appearance for the first time at any Western show of two Soviet MiG-29 Fulcrum fighter aircraft.

However, with memories of the Ramstein disaster still fresh, there is likely to be a greater focus on safety factors than ever before.

Britain's Civil Aviation Authority, which is due to take over responsibility for all air displays in Britain, including Farnborough, in January, considers the overall record of safety in Britain to be "very good" in view of the big increases in air displays in the last decade.

These increased in Britain from 100 in 1973 to 763 in 1986. Since 1976, there have been 43 accidents and 29 persons killed at different displays.

At Farnborough stringent safeguards already apply. Every pilot taking part has to arrive before the show to be briefed and to explain to technical committees what he intends to do and demonstrate routines that may be modified or disallowed.

In spite of their professionalism neither Farnborough nor Le Bourget have been immune from incident. The worst tragedy at Farnborough occurred in 1952 when 29 persons were killed by debris from an experimental jet that exploded. In 1973, the Soviet Union's TU-144 supersonic airliner crashed at the Paris Air Show, killing 13 persons, 6 on the plane and 7 on the ground.

Organizers in both Britain and France will be well aware that further adverse publicity concerning air shows could seriously damage the prospects of either event.

Farnborough, however, will have other interests for the estimated 50,000 business visitors who are expected to attend, for it is in many ways a giant marketing exercise. Similar to the great medieval fairs of old, the vast tented encampments of both Farnborough and Le Bourget provide an opportunity for participants to show off products and expertise and joust for business.

Both shows involve multimillion-dollar efforts aimed at securing business contracts. New business is expected to generate more than \$250 billion of civil aircraft orders in the 1990s. Military attention at the show is likely to be concentrated on Third World air forces, particularly those in the Middle East and Far East, whose business is essential in keeping production lines active.

SBAC's costs in putting on Farnborough total about \$17 million. Exhibitors are charged

for their floor and stand space and hospitality chalets. To this companies must add the costs of transporting equipment, aircraft, staff and their accommodation.

British Aerospace expects its bill for the eight days at Farnborough to be around \$2.5 million even taking account of economies imposed since the last show in 1986.

The non-airframe manufacturers are also big spenders with the British electronics company Blessey, for example, expecting its show costs to approach \$1 million.

The exhibition budgets for many companies have been severely stretched, not just by the increased costs of attending the major shows, but also by the rapid increase in recent years of other regional aviation and defense exhibitions.

Every pilot has to arrive before the show to be briefed and to explain what he intends to do.

tions. Many are now questioning how much further they can stretch their resources to accommodate what appears to be a never-ending carousel of shows.

Aerospaciale's vice president for international affairs, Gerard Hinton, has been quoted as saying: "The problem is that putting on air shows and technical exhibits has become a business in itself and this business has taken on a logic of its own that is independent of the industry it is supposed to serve."

After the rigors of Farnborough, there will be little time for participants to recover and to begin planning for the Paris Air Show, which is to be held in June 1989, and for Asian Aerospace in Singapore, which will be held six months afterward in January 1990.

Meanwhile, many other shows, particularly in the defense sector, vie for the presence of international companies seeking or doing business in the regional markets served by a particular show.

SBAC has advocated that a triennial approach be adopted for the major events with Farnborough and the Paris Air Show being held on a three-year cycle with Asian Aerospace, which is now accepted as the premier event in the Far East. However, the organizers of Le Bourget, the Groupement des Industries Françaises Aéronautiques & Spatiales, refuse to accept this. They have seen the 12-day Paris

Continued on page VI

\$40 Billion Market Europe Moves Ahead To Develop Fighters

By Robert Bailey

LONDON — Despite increasing domestic pressures to achieve economies in defense spending, four European nations — Britain, Italy, West Germany and France — are embarking on two ambitious military aerospace programs that far outpace their previous ventures in terms of complexity and commercial risk.

The go-ahead given by the defense ministers of Britain, Italy and West Germany in May for the development of the European Fighter Aircraft (EFA) followed France's own authorization, one month earlier, for prototype production of its planned new advanced fighter aircraft, the Rafale.

The political fears about the cost risks inherent in the programs have been heightened by the strenuous efforts made by U.S. manufacturers to promote their own planned product developments against the European programs.

Beyond the lobbying lies a potential \$40 billion market for new combat aircraft in Europe during the 1990s.

The long-delayed EFA agreement, known as a memorandum of understanding, still awaits the signature of Spain, one of the declared participants in the program, to build 800 fighter aircraft. However, Madrid has also been considering an invitation to join the Rafale program from its producer Avions Marcel Dassault-Breguet Aviation.

However, one immediate effect of the signing of the memorandum of understanding by its three main members has been a stifling of the concerted efforts made by the U.S. aerospace industry to persuade potential EFA members to opt for collaboration in developing McDonnell Douglas' planned Hornet 2000 fighter, a follow-on to the manufacturer's F-18 combat aircraft.

The U.S. undersecretary of defense, Dennis Kloske, led efforts earlier this year to promote the planned program in which European partners were offered a 60 percent share in the development of the new fighter aimed at markets in the United States, Europe and elsewhere.

The principal argument was that the collaboration would result in an aircraft one-third the cost of the EFA and one-half that of the Rafale.

The Europeans were suspicious of U.S. motives in urging collaboration.

Just weeks before the signing of the memorandum of understanding, at a time of intense West German debate on the cost of the EFA development, he was quoted as saying: "Until a decision is made, they will try everything to disrupt the process. To fully exploit all the new technologies, you need a new airframe which rules out the Hornet 2000 and Agile Falcon."

The Agile Falcon is promoted by General Dynamics as the successor to its F-16 fighter. The Netherlands, Norway, Belgium and Denmark, which have all participated in an earlier co-production program to equip their air forces with F-16s, have been invited by the U.S. government to participate in a two-year

Continued on page III

FARNBOROUGH 1990

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Airbus Grapples With Formula for Reorganization

By Ian Dormer

LONDON — Amid charges by the United States that Airbus Industrie enjoys an unfair trade advantage because of government subsidies, the European consortium has begun plans to restructure. The restructuring presumably would help wean the company from government aid and make it more financially accountable.

Airbus has grown considerably in recent years and now has about 20 percent of the world's airliner market, making it a leading competitor to the U.S. commercial aircraft makers, Boeing and McDonnell Douglas.

And it is restructuring in part because its product line has grown to five aircraft models and about 70 customers. It also hopes to cut costs and boost efficiency.

A consultants' report earlier this year pinpointed three main problem areas: the lack of coordination between the marketing and finance aspects of Airbus programs, the absence of an overall balance sheet, and what it called an "unwieldy organization" lacking a decision-making committee.

Airbus Industrie is established under French law as a *groupe ment d'intérêt économique* (GIE). It plans to stay that way despite a recommendation from the partners' respective governments — Britain, France, West Germany and Spain — that it become a corporation.

Airbus says there is no corporation or public limited company model to follow in Europe that could satisfy its nature. About 9,000 GIEs exist in Europe, conducting all forms of business from wine growing to building helicopters. The GIE allows all Airbus partners to continue their other businesses uninterrupted.

Airbus has no financial transparency in its own right. Each partner publishes its accounts, but Airbus has no obligation to do so. The financial burdens of the Airbus projects rest solely with the partners and not with Airbus Industrie itself.

While the civil aircraft programs are separated in the partners' accounts, it does not specify which is purely Airbus. And Airbus does not see any reason why

its partners should break down their figures to such a level.

"Boeing publishes its civil program figures and does not go down to how much it makes on the 737, so Airbus is no less transparent than anyone else," it says.

In line with recommendations from the partners' governments, Airbus is appointing a finance controller or director to oversee accounts. The controller will have more power, increasing access to the partners' accounts.

Movements in the exchange rates also mean that the burden falls on the partners' accounts. The airplane business is conducted in dollars but the Airbus consortium faces costs in pounds, francs, marks and pesetas. Increasingly, subcontractors to the partners are having to quote in dollars as the burden of the exchange rate cuts into profit levels.

Earlier this year, British Aerospace made a £320 million provision in its accounts, the majority to cover expected losses on wing work for Airbus. Three years ago £1 was worth about \$1, but today it buys nearly \$2. Dealing in dollars to buy airplanes is a firmly fixed tradition, and any future deals that may be done with the European Currency Unit (ECU) are a long way off.

Airbus has rejected complaints by the United States that it enjoys an unfair trade advantage because of government funding, particularly since the U.S. industry controls 80 percent of the world's civil airliner market.

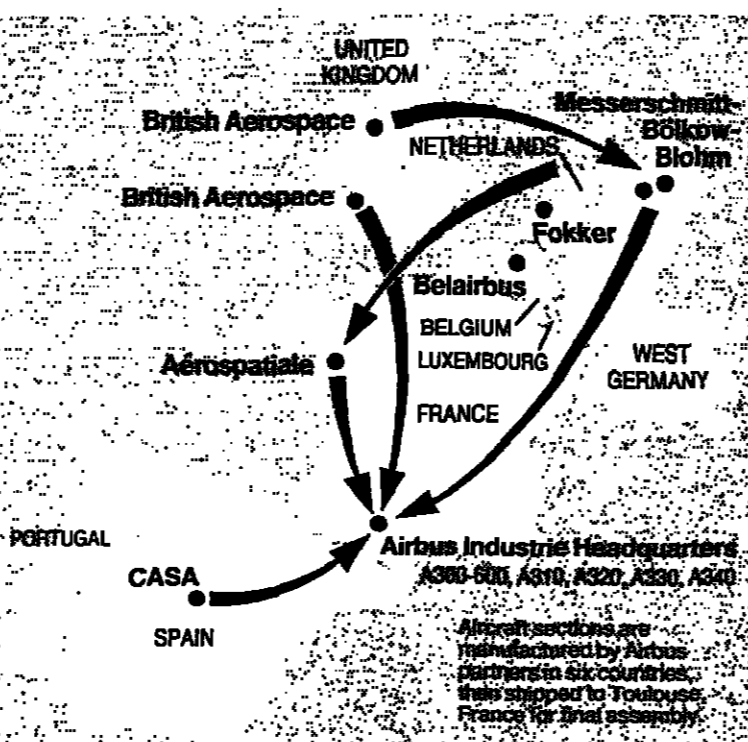
The president of Airbus, Jean Pierson, said at the end of last year that in the previous eight to 10 competitions Airbus had been beaten on price every time.

Airbus believes that the U.S. industry gets similar assistance through military contracts, reducing overheads and swelling the profits that cross-subsidize civil programs.

Airbus is owned by four European aerospace companies: British Aerospace, Aerospaiale in France, Messerschmitt-Bölkow-Blohm GmbH (MBB) in West Germany and CASA in Spain. Aerospaiale and MBB each own 37.9 percent of Airbus, British Aerospace 20 percent, and CASA 4.2 percent.

LAN DORMER is a reporter for Flight International.

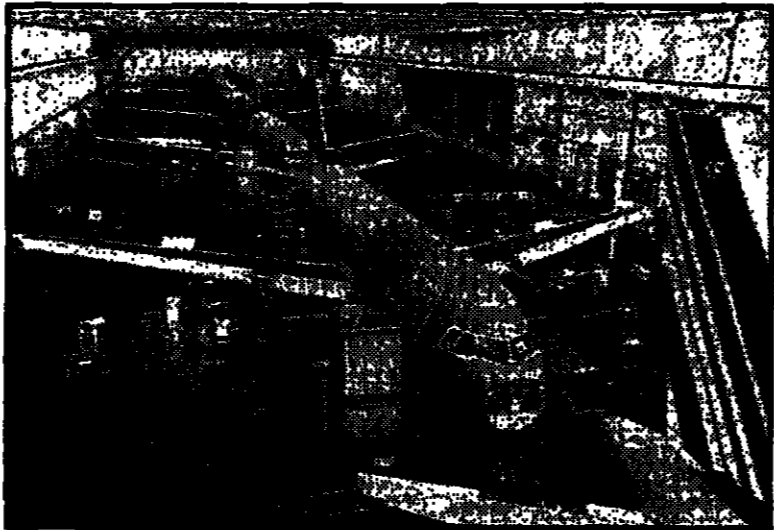
Airbus Industrie: The European Effort



Airbus Partners

Country	Company	Share (%)
France	Aerospaiale	37.9%
West Germany	Messerschmitt-Bölkow-Blohm	37.9%
United Kingdom	British Aerospace	20.0%
Spain	CASA	4.2%
Netherlands	Fokker	(Associate member)
Belgium	Belairbus	(Associate member)

Source: Airbus Industrie



Airbus Industrie's A320s in final assembly.

Lon Cox/International Herald Tribune

MBB Merger Debate Raises Issue of Airbus Subsidies

By Edward Roby

BONN — The West German economics minister, Martin Bangemann, undoubtedly thought he could kill two birds with one stone when he suggested early this year that Daimler-Benz AG buy into Messerschmitt-Bölkow-Blohm GmbH (MBB), the state-controlled aircraft manufacturer that is also the German Airbus contractor.

In an ideal world, West German taxpayers might then have spared the annual burden of between 400 million and 800 million Deutsche marks (\$212 million to \$425 million) in subsidies to cover Bonn's share of the perennial losses of the European Airbus program.

And Daimler-Benz, which took to the skies three years ago with its rapid-fire acquisitions of the Dornier GmbH aerospace company along with MTU Motoren- und Turbinen-Union GmbH and the AEG AG electrical and electronics group, could be counted upon to reorganize the fragmented German aerospace industry under one private roof.

The grand scheme, however, came close to a crash landing when Daimler's chairman, Edzard Reuter, let the government know bluntly last spring that its Airbus program lacked the right stuff.

"This is not a poker game," Mr. Reuter remarked publicly after serving notice on the government that the Mercedes maker would not take a proposed 30 percent stake in MBB if that meant picking up the open-ended Airbus risks.

And the government's trouble was only beginning.

Wolfgang Kartte, president of the West German Cartel Office, warned that the proposed merger would run into trouble on anti-trust grounds.

The city-state of Bremen, one of three states that own a majority of MBB, announced that it would insist on representation on the supervisory board to make sure its interests were served in any potential reorganization of MBB by Daimler-Benz.

Mr. Reuter made clear that there would be no employment guarantees in the event of a Daimler-MBB fusion and labor representatives on the Daimler-Benz supervisory board, chaired by Alfred Herrhausen, the Deutsche Bank chairman, spoke out against a merger.

West Germany's opposition Social Democrats and Greens assailed the merger proposal on grounds that it would create, for the first time in

Germany since the defeat of the Nazis, a powerful military-industrial complex that a democratic government could scarcely control.

And the U.S. government, which regards Europe's public financing of Airbus as unfair competition for Boeing and McDonnell Douglas, warned of a potential trans-Atlantic trade war if the massive Airbus subsidies continued.

In the face of such difficulties, Chancellor Helmut Kohl's center-right coalition government fell back on a tried-and-true tactic. It put the Daimler-MBB problem on ice for the summer recess. The whole issue of how to reorganize the domestic aerospace industry was tentatively slated to resurface at a cabinet session in September, by which time it was hoped the public debate and unwelcome publicity might have cooled.

Although a Daimler-Benz stake in MBB seems preordained, terms of the final arrangement are more likely to please Mr. Reuter and Mr. Herrhausen, whose bank owns 28.1 percent of Daimler, than the government, which is struggling to curb deficit spending.

At worst, the taxpayers will continue to bleed for Airbus while Daimler-Benz goes on to dominate the rest of the domestic aerospace scene and to consolidate its new role as the dominant military contractor.

After settling for a compromise in a protracted power struggle with the Dornier family over a proposed increase in company capitalization, Daimler returned a block of stock to the family, reducing its holding to 54 percent and raising the family interest to 42.5 percent. All this makes MBB considerably more attractive.

Before the summer recess, Mr. Bangemann is said to have suggested a merger arrangement in which MBB's civilian transport and Airbus activities would be separated from the rest of the company. The government would then take a 15 percent stake in the Airbus manufacturing sector. It would continue to finance development and production of the large-range A-330/340 models and make up losses from adverse currency fluctuations.

Finance Minister Gerhard Stoltenberg has spoken of a government guarantee until 1994 at a dollar exchange rate of 1.70 marks. The Airbus break-even point is supposed to be around 2 marks to the dollar. The current federal budget allocates nearly 1.1 billion marks for Airbus after 457 million marks the previous year, levels that even some coalition politicians have called exorbitant.

A merger with MBB would nicely complement Daimler's already thriving arsenal because MBB holds major interests in several French and German armaments and aerospace groups, including a 50 percent stake in RTG-Raketen Technik GmbH, which in turn has a one-quarter interest in Leopard 2 tank producer Krauss-Maffei AG of Munich. Like France's Matra SA, in which Daimler recently took a 4 percent interest, RTG specializes in rocket launching systems.

MBB's helicopter division, together with MTU and AEG, are contractors for the new French-German PAH-2 antitank helicopter that is supposed to be ready for production by 1991.

EDWARD ROBY is the English-language editor of Vereinigte Wirtschaftsdienste GmbH, a West German economics agency based in Frankfurt.

M. HERRHAUSEN, in a Der Spiegel magazine interview, suggested that critics of the Daimler-MBB marriage lack the vision to recognize that West Germany now needs an industrial policy with global reach.

"Size can often be a prerequisite for successful competition," said Mr. Herrhausen. "We must try to create a European Boeing."

The Deutsche Bank chairman is already credited with masterminding Daimler's high technology takeoff with the acquisitions of Dornier, MTU and AEG, which supplies electronics for tanks, warplanes and warships as well as submarine torpedoes, radar, satellite and fire guidance systems and equipment for mine warfare.

MTU supplies the turbine engines for the Leopard 2 tank and for the Tornado plane, manufactured by a consortium of West German, British, Italian and Spanish companies. Dornier, in addition to civilian aircraft, makes drones for the military and, in cooperation with France's Dassault, manufactures the Luftwaffe's light Alpha Jet fighter-bomber.

But Daimler has had ample reason

to be disappointed with its 65.5 percent stake in Dornier. For one thing, Dornier's much larger competitor, MBB, skins the cream from the military aircraft contracts. And the new federal military budget eliminates funds for a planned modernization of the Alpha Jet while earmarking large development outlays for the proposed European Jager '90 fighter project, which is being handled by the same Tornado consortium that includes MTU and MBB.

EDWARD ROBY is the English-language editor of Vereinigte Wirtschaftsdienste GmbH, a West German economics agency based in Frankfurt.

Traffic Control

Spinning a Cocoon for Air Safety

By Graham Warwick

LONDON — Daily, U.S. and European newspapers carry reports of congested airports, delays, crowded airspace and near-misses. Airlines blame the air traffic control authorities for not investing enough in people and equipment. The authorities blame the airlines for scheduling more flights than the air traffic system can handle.

Both sides, however, seem unwilling to embrace new technology that could alleviate many of the ills afflicting the airspace management systems of both the United States and Europe.

The air transport industry and the air traffic control community are among the most conservative in aviation. This is because lives are at risk and safety standards must be maintained. But, by their reluctance to embrace new ideas, both sides could be endangering passenger safety by overloading the existing airspace management system.

Anyone who cares to look up can see that the skies are not crowded. More than one aircraft might be visible, but there should be a lot of space between them. Maintaining an adequate separation between aircraft is the task of the air traffic controller.

Because aircraft are almost always visible on radar over the United States or Europe, he can do this with a fairly high degree of confidence. Over the Atlantic, Pacific and less-populated areas of the world, his knowledge of aircraft position is not so extensive, so aircraft are wrapped in a far larger "cocoon" of safe airspace.

Even today, air traffic control is largely procedural. Aircraft are funneled into one-way corridors with safe distances between corridors and between aircraft flying along the same corridor. This inevitably puts limits on the number of flights that can be pushed through a corridor at any given time.

More flights can be accommodated if the

separation between aircraft and between corridors is reduced. However, the possibility of gross navigational errors, or controller mistakes, sets the minimum separation.

Navigation is the responsibility of the airliner crew. Today, an aircraft's position can be determined with an accuracy exceeding the minimum separation allowed because of the equipment available. In fact, equipment under

development, such as satellite navigation systems, could give aircraft position to within a few tens of meters, which would theoretically allow separations to be reduced dramatically.

Maintaining safe separations between aircraft is the responsibility of air traffic control, however, and the controller must always allow for the worst-case navigational error.

Where aircraft are visible on radar, the controller has several new developments to look forward to, such as computer programs that will detect and warn of conflicting flight paths and others that will allow aircraft speeds to be adjusted to assure they arrive at an airport at steady intervals, avoiding the bunching and stacking that is prevalent today.

None of this allows the controller to reduce separations, however, although it does improve airspace efficiency somewhat. If the controller

had access to aircraft position as measured on board the airliner itself, preferably using the latest satellite navigation techniques, separations could be reduced — provided that all aircraft were suitably equipped.

Aircraft position could be transmitted to the ground via a radar datalink, or via satellite where radar cover is not available. Once in the air traffic control computer, the position report

would be handled just like today's radar returns.

There are many obstacles to such a system, called automatic dependent surveillance. Today's satellite navigation systems are primarily for military use and as such do not meet the exacting integrity standards demanded for civil use. On-board navigation systems which do not require any outside reference are already widely used, but are unfortunately less accurate. A combination of the two, however, looks promising.

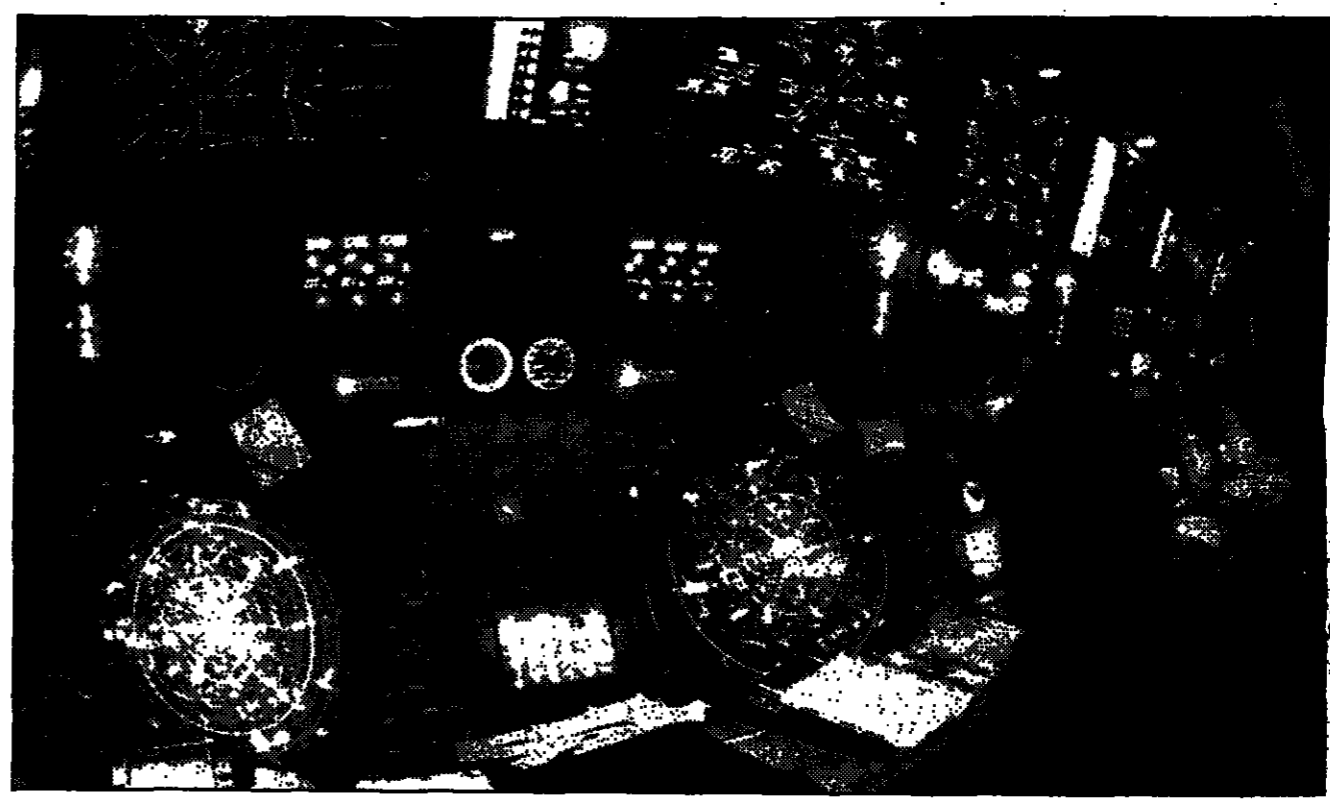
Airlines are less than enthusiastic about the cost of fitting new, more accurate navigational equipment and are unwilling to unless required by the authorities, who in turn are concerned about recovering the cost of a new airspace management system.

Commercial pressures dominate. Airlines are beginning to install satellite navigation and

communication equipment where it offers an operational advantage, such as the ability to follow fuel-saving flight plans or communicate useful information back to base. The ability to offer passengers telecommunications facilities, for example, is the major force behind satellite communications.

Airspace authorities appear to be waiting for the airline industry to reach "critical mass" in its use of new equipment before adapting the airspace system.

The alternative is to pass laws requiring all aircraft to re-equip to use the new system. Such



Monitoring screens at the Federal Air Route Traffic Control Center near Washington.

a task is almost impossible on an international scale, but if the United States were to adopt such a track, the rest would have to follow, or be barred from U.S. airspace.

In effect, this is what is happening with the microwave landing system that is just beginning to be installed at U.S. airports, and what will happen with the traffic alert and collision avoidance system (TCAS), scheduled to be mandatory on all U.S. airliners by early next decade.

There are those who argue that the United States is pushing TCAS through too soon,

before it is proven useful or safe. The alternative is an intercontinental delay such as has afflicted the microwave landing system, despite its international adoption as the successor to the present instrument landing systems.

With today's separations, the pressure on U.S. and European airspace is mounting. Any significant reduction in airport delays requires those separations to be reduced.

GRAHAM WARWICK is the news editor of Flight International.

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Upgrading Safety

U.S. Focuses on Crew Training

By Laura Parker

WASHINGTON — When a Delta Airlines pilot came within 50 feet of colliding with another jumbo jet over the North Atlantic in July 1987, U.S. officials wondered how a senior captain could fly an L-1011 nearly 60 miles off course.

communications," Mr. Beaudette said. "The management of a crew. You don't see them interact with other people in the cockpit."

These changes are aimed at reducing, whenever possible, the human error rate. Jet aircraft have become so efficient and reliable that when something goes wrong, it's usually caused by human error and the human is usually the pilot.

The National Transportation Safety Board says 65 percent of all major airline accidents and 95 percent of commuter accidents are due to pilot error.

But much of the rest of the FAA's wholesale review of pilot rules stems from the huge changes that have occurred in the pool of pilots flying since the airlines were deregulated in 1978.

In the last four years, according to government figures, the airlines have hired an average

ment training and it's good, solid, quality training."

The commuter industry is hit hardest with rapid turnover in hiring. Of 5,300 pilots flying for commuters, 4,010 were hired last year, according to the Future Aviation Professionals of America. A third of them moved from one commuter to another; the rest were hired with air taxi, private corporation or other general aviation experience in their backgrounds.

The General Accounting Office recently criticized airline hiring practices regarding background checks for safety violations, and noted that three recent commuter accidents had safety violations of which their employers were not aware.

By February, the commuter industry had also piled up six accidents in four months, the last of which involved a co-pilot, with a spotty training record who flew into a grove of North Carolina pine trees on a rainy February night.

The FAA is now moving toward requiring commuter pilots to complete the same kind of training that pilots for major carriers undergo.

The kind of sophisticated training maneuvers that the major airlines conduct in flight simulators still eludes commuter airlines. Simulators are multimillion-dollar investments, and many commuters are too small to finance them.

Windshower training, for example, which will become a requirement for all pilots flying turbo-jet aircraft with more than 30 seats is only safely conducted in a simulator.

But the issue of crew experience was brought most sharply into the public spotlight last November. The FAA's review was barely under way when a Continental DC-9 crashed while taking off from Denver in a blinding snowstorm, killing 28.

ALTHOUGH investigators of the accident are centering their probe on the possibility of icing on the jet's wings, the plane was being flown by the co-pilot, a 26-year-old former commuter pilot who had only flown as a DC-9 co-pilot once before and had never flown in snow. The captain of the flight was a senior employee, but he had only moved up to the DC-9 captain's seat 17 days before the crash.

The National Transportation Safety Board has yet to determine a cause or recommend change. But the board did address the issue of crew pairing based on levels of experience in 1986. After several commuter accidents, the board recommended that inexperienced captains not be paired with inexperienced co-pilots.

Pairing inexperienced pilots, particularly at expanding airlines, is a practice throughout the industry. Two months after the accident, Mr. McArtor urged the airlines to avoid pairing inexperienced pilots in the same flight, but he was overwhelmed by objections from the airlines and the pilots' union. Consequently, the FAA's package of pilot rule reforms does not address crew experience levels or pairing.

Mr. McArtor's advisory was the first time the FAA has attempted to place a value on pilot experience as a means of measuring safety. The Air Line Pilots Union, which represents 39,000 pilots, countered that if a pilot needs more experience in order to fly safely, it is the airline's training program that is at fault.

LAURA PARKER is a Washington Post staff writer who covers the transportation industry.



T. Allan McArtor, FAA administrator.

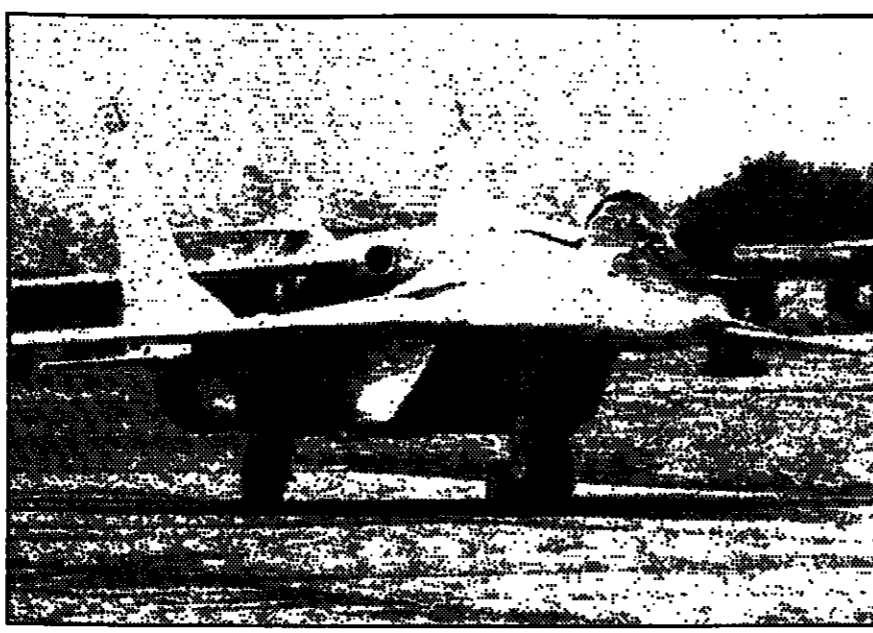
of 9,700 new pilots a year. Pilot hiring is expected to continue at high levels for the near future.

At the same time, the number of airline pilots who learned to fly in the military is declining. What this means is the average level of flight experience is holding steady at about 3,000 hours. But the kinds of experience pilots acquire before joining a major carrier has fallen off.

For example, the experience level in jets dropped from 2,300 hours in 1983 to 800 hours in 1985, according to the Future Aviation Professionals of America, which tracks hiring statistics for pilots.

Airlines are also finding that new pilot employees lack the kind of rigorous training and experience at instrument flying that pilots trained by the military receive.

"That's one of the things the airlines have identified where they need to spend some time," said Walter S. Coleman, an assistant vice president of the Air Transport Association, the major airlines' lobbyist, and head of a task force that assisted in the FAA's pilot rules review. "In the military, there is a lot of instru-



The new Soviet MiG-29.

the AN/APG-65 radar, currently used on the NATO F/A-18 and widely acknowledged as the most advanced radar in service aboard a Western fighter today. The Soviets are said to have stolen — or bought — a full set of blueprints from the manufacturer, Hughes Aircraft Co.

However, Mr. Contin argues that even with the blueprints, the Soviets would have difficulty mastering manufacturing technology, which has posed problems to West European licensees receiving "full support and complete technology transfer from the U.S."

Instead, he believes the MiG-29 uses an earlier AN/APG-9 radar, obtained from an Iranian F-14 in 1979.

Both radars are of the "look-down shoot-down" category, allowing them to distinguish targets below them from ground clutter. Either way, the MiG-29 has the most advanced avionics package ever sold on a Soviet fighter. But for an aircraft as expensive as the MiG-29, it might not be good enough.

Beyond the initial sales success, "there are only a few other countries out there with the money, and with the requirement," said Mr. Karp. "The U.S. is in the process of selling F-

16s to 18 air forces. The Soviets will have a difficult time finding 18 export clients for the MiG-29. The politics just works against them."

But the Soviets are proving tough competitors, as the French aerospace concern, Avions Marcel Dassault, learned in India.

"I fight two-thirds of the time against the U.S.," said one top Dassault executive, "and a third of my time against the Soviets. And I have learned to respect my competition."

The Soviet strengths, according to the executive, were good equipment (including the MiG-29 avionics), political backing and a "completely original financial package," which often includes enticing barter agreements. Beyond further sales to Iraq and India, Dassault also expects the Soviets to market the Fulcrum in Nigeria and Algeria.

KENNETH R. TIMMERMAN is the editor of *Mednews*, a newsletter specializing in Middle East defense issues. He is the author of the forthcoming "Le Jeu des Missiles," a study of arms sales to Iran and Iraq.

Soviets Push Marketing For MiG-29s

Continued from page I

While the Soviet Union has begun to engage in "profit sales" over the past few years, "nothing has been so organized, so coherent, as the effort to sell the MiG-29," Mr. Karp said.

One of the reasons may be the skyrocketing cost of modern fighters, which has led to fewer planes rolling off Soviet assembly lines than before. Many of the Soviet Union's best allies in the Warsaw Pact may never receive the MiG-29 because they simply cannot afford the price, whereas they were high on the list to receive the MiG-21 and MiG-23 when those planes were exported in the 1960s and 1970s.

Another reason may be that the Soviets realize that the MiG-29 may not "survive" the technological advances of the 1990s. Either they sell it today, or they absorb the entire program cost alone.

Further clues to just how advanced the MiG-29 really is will be found at the Farnborough air show. Two areas in particular have been nagging specialists since the first "public" appearance of the Fulcrum in Finland in 1986: the performance of the Fulcrum's engine — at first assumed to be an upgraded Tumansky R-33D turbofan — and its radar.

According to Renato Contin, an aeronautical engineer writing in the German monthly *Military Technology* last year, the aircraft seen in Finland needed more powerful engines than the R-33D, which Western sources believe develops 50 kN dry thrust and 81.4 kN with afterburner, to achieve the performance most experts attribute to it.

Otherwise, the plane "is much lighter than it looks, or its thrust-weight ratio is much less satisfactory than assumed," Mr. Contin writes, giving it less maneuverability than any of its Western equivalents.

As for the radar, some published accounts attribute the MiG-29 with a Soviet version of

Europe Moves Ahead to Develop Fighters

Continued from page I

pre-development program for General Dynamics new aircraft.

In an effort to spread the overheads of its Rafale development, France's Dassault has also been courting other European countries to join its program, including Belgium and Spain. Overseas sales potential for the aircraft is one attraction. Lighter than the EFA, the Rafale has been designed with traditional Dassault export markets in mind.

Nevertheless, it is the EFA which is destined to arm the air forces of the principal European NATO powers.

A total of eight EFA prototypes are to be built in comparison to five for the Rafale. Three are to be based in Britain, two each in West Germany and Italy and one in Spain. The aim is for each of the Eurofighter airframe

consortium members — British Aerospace PLC, Messerschmitt-Bölkow-Blom GmbH, Aeritalia and Construcciones Aeronauticas SA — to establish a production line.

The program, managed by the European Fighter Management Agency, is based in Munich and is responsible for the award of contracts to Eurofighter companies and to participants in the Eurojet consortium which is developing the EFA's new 20,000-pound thrust EJ 200 engines. Members of Eurojet are Rolls Royce, MTU Motoren-und Turbinen-Union GmbH, Fiat Aviazione and Spain's Seneca.

Many of the technologies for the EFA, as well as other fighter aircraft under development, have still to be tested and proven.

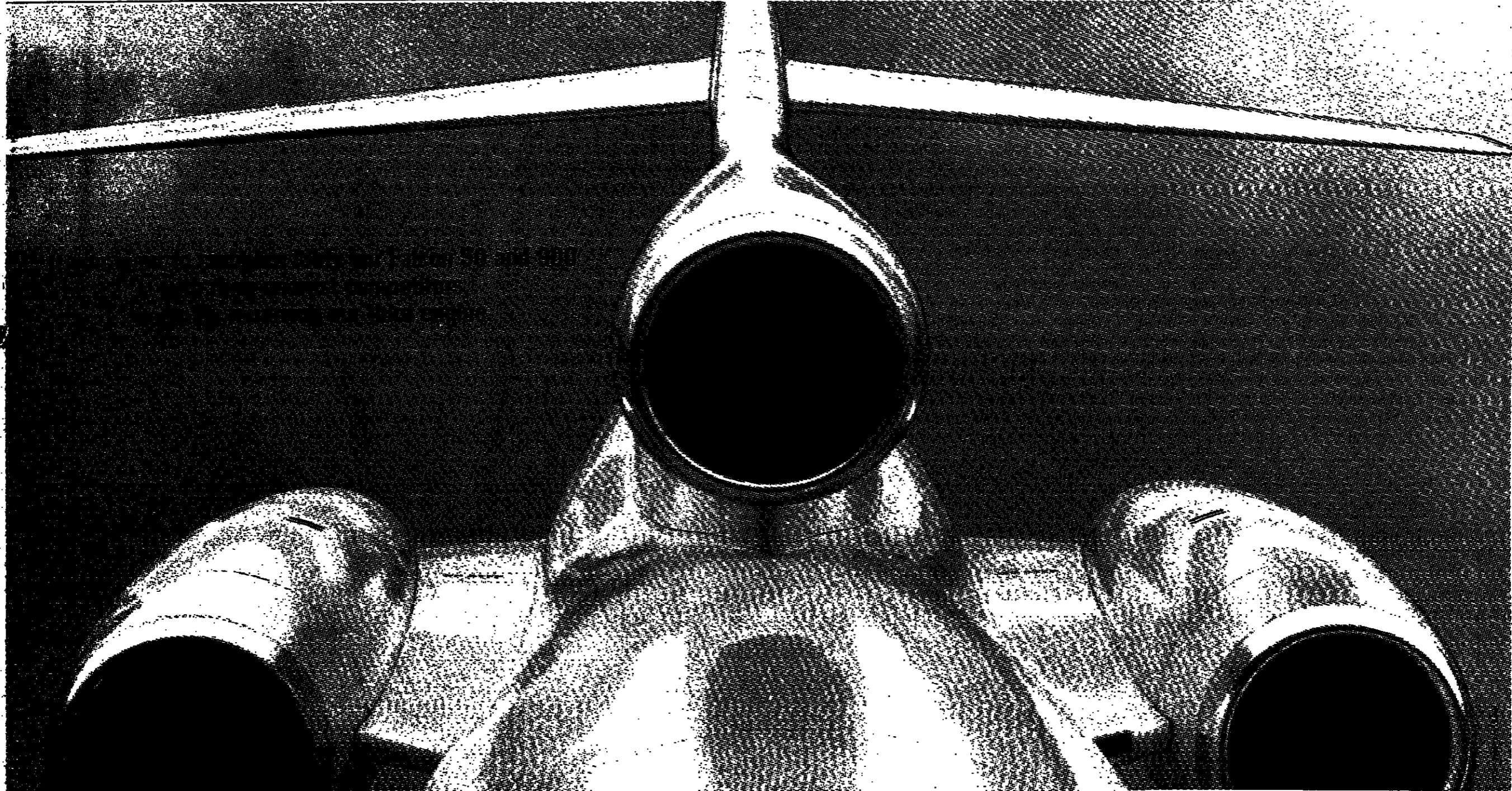
One major development decision pending on the EFA is its vital radar fit, which will ultimately comprise 10 percent to 15 percent of

the unit cost of the aircraft. A U.S. dimension is again seen in the competition between Emerald, a development based on Hughes Corporation's APG-65 radar, and the ECR90 under development by the Ferranti company of Britain.

The promoters of the Emerald argue that only 10 percent to 15 percent of the content of the new design would be U.S. sourced. However, Ferranti which is also offering its Blue Vixen radar, says that to have anything but an all-European radar on board could mean Washington might impose restrictions on sales outside the NATO area.

The EFA and Rafale programs would seem to pose a considerable challenge to U.S. manufacturers in the export markets of the 1990s.

ROBERT BAILEY is a London-based journalist who specializes in aviation and technology.



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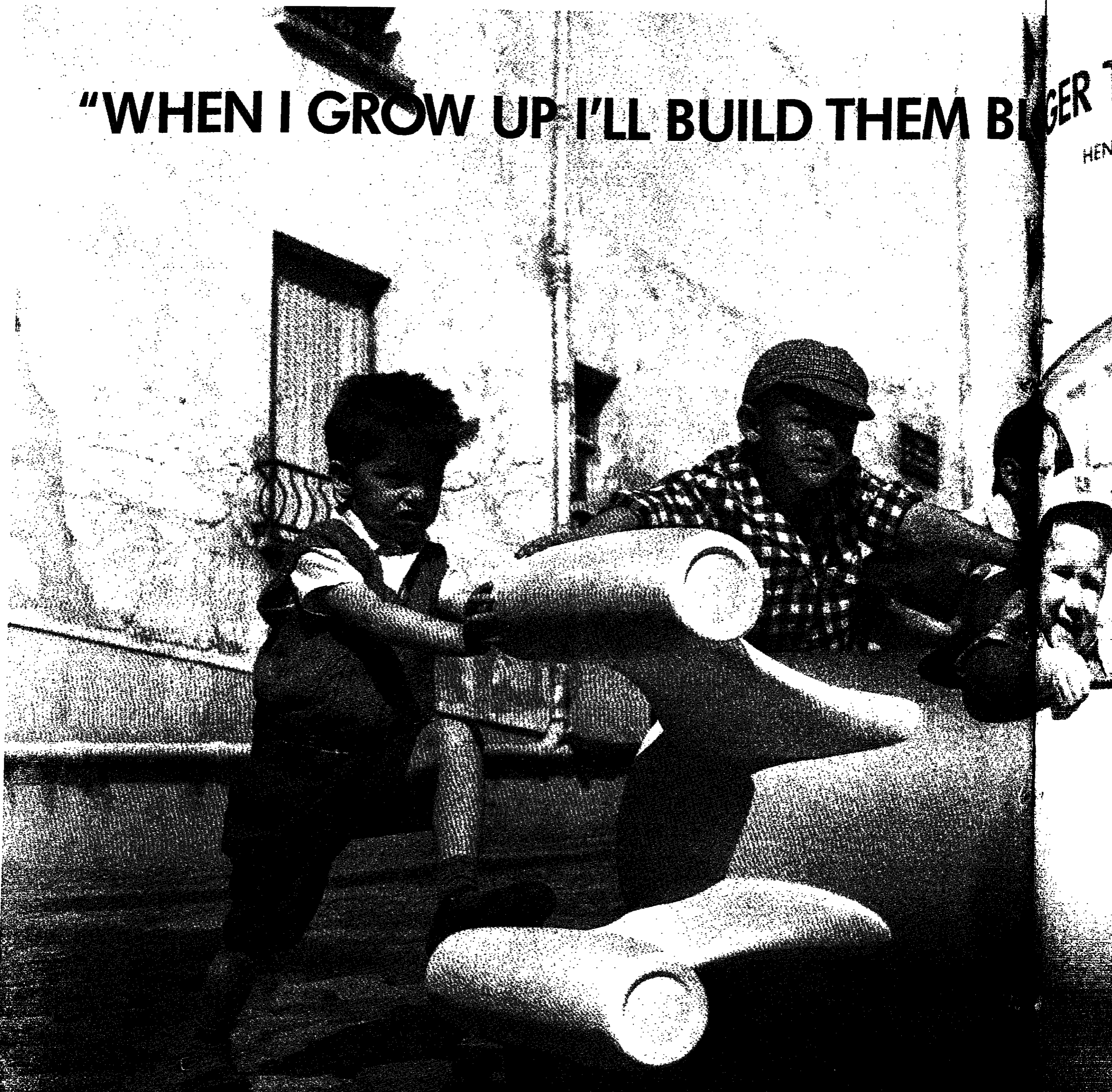


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Rocket Firms Looking to SDI

By Graham Warwick

LONDON — The predicted boom in the commercial satellite launch business following the shuttle disaster in January 1986 has so far benefited few companies. Predictably, it is the big names in aerospace that have picked up the business lost by private-venture companies when the United States banished all commercial payloads from the vehicle.

For those companies who were forced out of the shuttle program, the launch needs of President Ronald Reagan's Strategic Defense Initiative represent the best future business prospects. The fate of SDI, and therefore the private launch industry, now rests with the next U.S. president, however.

The National Aeronautics and Space Administration's marketing of the shuttle in an effort to establish the vehicle's commercial viability only served to distort the dynamics of the satellite launch business. The U.S. launcher industry, set up on contracts to feed the shuttle, proved unable to compete effectively with Europe's aggressively marketed Ariane.

It became a two-horse race and, after the shuttle disaster, Ariane would have had a clear field had it not been for some failures and subsequently lengthy grounding of its rockets. Perhaps as a result, Arianespace, the Ariane operating company, has not benefited nearly as much as expected from the shuttle's misfortunes.

The U.S. launcher industry has benefited, however. The few launchers available were quickly snapped up and production restarted. McDonnell Douglas was awarded the crucial contract to provide the U.S. Air Force with a medium launch vehicle to orbit navigation satellites originally destined for the shuttle.

To achieve this, the company upgraded its established Delta booster. Heavily underwritten by the military contract, Delta II is now available commercially.

General Dynamics announced a \$100 million program to build Atlas Centaur boosters for commercial customers and was later rewarded with a U.S. Air Force contract to supply medium launch vehicles to orbit defense communications satellites.

Martin Marietta, already under contract to the U.S. Air Force to build Titan IV boosters to work in conjunction with the shuttle before Challenger exploded, saw its

production run extended after the disaster. The company has also secured customers for its commercial Titan III.

All three U.S. companies offer boosters originally developed for the military and in production for the military. Wholly private space ventures are few and far between, even in the United States. The first privately developed space vehicle, Orbital Sciences Corp.'s Transfer Orbit Stage, is a motor designed to boost satellites into orbit from the shuttle's payload bay or the top of a Titan rocket. So far, only one has been sold, to boost NASA's Mars Observer on its way to the Red Planet in the early 1990s.

Undaunted, Orbital Sciences, along with Hercules Aerospace, has proposed a novel air-launched winged booster, called Pegasus, primarily for use during the development and test stages of the SDI defense shields. The SDI organization's need to launch small experimental satellites over the next few years could provide the impetus the private-venture rocket industry needs.

Because of the enormous investment needed to develop a rocket capable of boosting communications satellites into geostationary orbit (22,000 miles (35,800 kilometers) above the equator, most private-venture rockets are capable only of boosting small payloads into low orbits, at least initially.

This is sufficient to meet the SDI's present needs and, it is argued, could provide researchers in other fields with low-cost access to space. Small Earth observation satellites, or technology experiments requiring microgravity, could be cheaply boosted into orbit for short periods using such vehicles.

If the next U.S. president elects to continue the SDI program, then some or all of the private-venture companies, including Space Services, American Rocket or Pacific American Launch Systems, could find themselves with a viable business. Commercial contracts will inevitably follow.

The shuttle's misfortune saw two other forces emerge on the commercial launch scene. China and the Soviet Union. China has so far had the most success, but finds its entry into the big league of geostationary satellite launching presently blocked by the United States' refusal to allow American-built satellites to enter the Communist country.

That could change with Australia's preference, part financial,



Launch of Ariane IV, which carried three satellites.

part political, to launch its next generation of Aussat communications satellites on China's Long March booster. Australia has already chosen Hughes Aircraft to build the satellites and the U.S. company is awaiting a decision on technology transfer before signing a deal.

The Soviet Union has perhaps the most complete range of launch vehicles available anywhere, up to the mighty Proton used to orbit geostationary satellites and planetary probes, and all are being marketed commercially. Despite low prices, competitive insurance rates, Western visits to Soviet launch sites, and assurance on sat-

ellite security, the Soviets have yet to secure a major customer.

Whether the shuttle flies later this month as planned, its role as a satellite launcher will from then on be severely curtailed. The balance has shifted decisively back in favor of expendable launchers with the biggest of them all, the Advanced Launch System, now being studied by the U.S. Air Force.

After the predatory pricing of the early shuttle and Ariane days, launch costs are also likely to stabilize as industry, and not governments, comes to grips with making the way into space pay.

High Costs, Demand Spur Leasing

By Robert Bailey

LONDON — The future for aircraft manufacturers has rarely looked better. Production lines and order books are expanding both in Europe and North America as airframe and aero-engine producers and their related suppliers gear up to supply the hardware for an air travel market that is expected to double in the next 12 years.

Manufacturers envisage a demand for between 5,700 and 7,800 new airliners valued at \$278 billion to \$342 billion up to the year 2005. About two-thirds of the demand for short-range aircraft is expected to result from the retirement of aircraft delivered during the late 1960s and early 1970s.

While a definite requirement has been identified, the financing of such a huge demand for capital equipment poses a dilemma. Only a small percentage of the world's airlines are thought to be able to support their acquisition needs.

The book worth of world fleets, totaling about 7,500 aircraft, is estimated at about \$125 billion. This relatively small asset base, combined with historically low profits in the industry, means that airlines will be able to finance directly only a diminishing proportion of their new aircraft.

To bridge the gap, a trend toward asset-based financing is steadily gaining momentum. In this procedure the aircraft itself is the principal form of security rather than the guarantee of the end user or of the government of a state-owned airline.

The trend has already seen the emergence of major leasing companies. Guinness Peat Aviation, a multinational group founded in 1975, is preparing for the expected surge in demand for new aircraft and an increase in the need for operational leases between now and the year 2000. The group, based at Shannon, Ireland, currently has orders and options on Airbus, Boeing, McDonnell Douglas and Fokker airliners valued at \$8 billion.

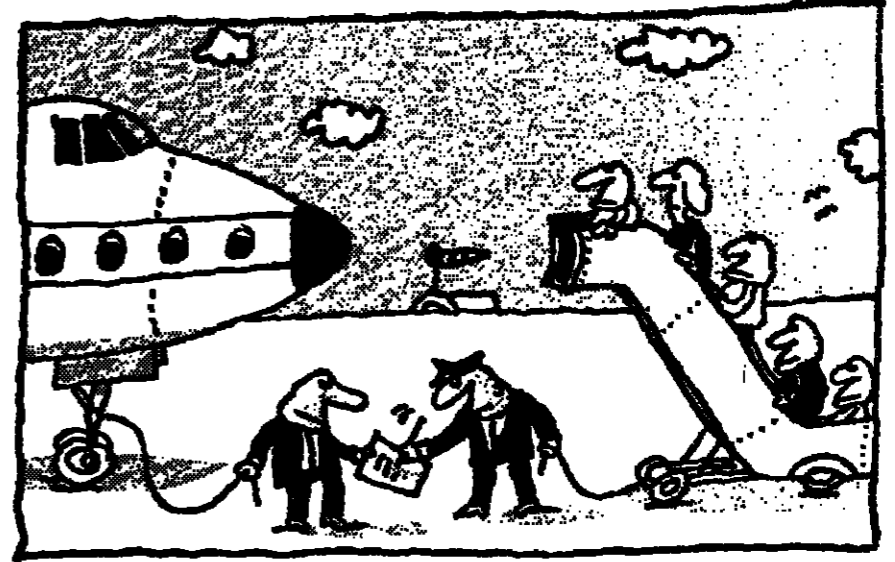
The International Lease Finance Corp., based in Beverly Hills, California, placed the largest civil aircraft order in history this year with Boeing and Airbus for 130 airliners, which, with options, could be worth a total of \$7 billion. Steven Ulysses Hays, co-founder of the leasing company, said it serves as a financing vehicle to relieve airlines of the financial burdens of acquiring wide-bodied aircraft.

The airlines' effort to accommodate larger numbers of passengers is one factor in the demand for new aircraft. There are other pressures, including the imposition of noise regulations, changing fuel prices and technological developments that are rendering older aircraft models obsolete.

More sweeping noise regulations will, in particular, force the replacement of many fleets while the markets themselves are changing. The trend toward operating leases that allow for termination of the lease stems both from a desire to keep aircraft off the balance sheet and the need to establish flexibility in the makeup of aircraft fleets.

It is, however, the sheer size of capital outlay involved in purchasing that is driving airlines toward leases and allowing expansion to take place much faster than at any other time.

American Airlines, for example, ordered 25 new Airbus A-300-600Rs and 15 Boeing 767-300ERs this year on 20-year operating leases.



The company also has 70 McDonnell Douglas MD-80s with 90 options on order as well as eight Boeing 767-200s with financing arranged through a complex cross-border leasing transaction whereby the aircraft is leased from Japan.

The alternative to leasing for American Airlines, the biggest domestic carrier in the world,

expected to garner similarly high shares of the available market.

While creating a dynamic market for manufacturers and financiers, not all are enthusiastic about the accelerated trend toward leasing. Some in the industry are questioning whether in the long term airlines can survive solely on their core business as operators and the uncer-

To bridge the costs gap, a trend toward asset-based financing, in which the aircraft itself is the principal form of security, is gaining momentum.

was a daunting multibillion-dollar expenditure that would have had to have been committed in the next few years.

Carriers and manufacturers, as well as aero-engine producers, are also entering the leasing business. Australia's Ansett has created a leasing subsidiary that has ordered a dozen Boeing 737-300s and six McDonnell Douglas MD-83s. British Airways, McDonnell Douglas and Guinness Peat Aviation have an agreement to lease the MD-11s ordered by Guinness Peat and those on order by British Caledonian, which was taken over by British Airways earlier in 1988.

Meanwhile, Rolls-Royce has entered an agreement with Guinness Peat Aviation to purchase a fleet of Boeing 757 aircraft powered by its engines in a move to exploit a burgeoning market for medium-capacity airliners equipped for extended range operations over water.

Within the next three years Guinness Peat expects 20 percent of all aircraft to be on the leasing companies' books, compared with 1,000 at the end of 1987. The group estimates that its share of the operating lease market will be one-fifth by 1990. International Lease Finance Corp. and San Francisco GATC also are

tain cash flows that are a feature of service industries.

By taking aircraft off their balance sheets, it is argued that airlines may also be forfeiting an interest in the residual value of the aircraft they operate.

For lessors, despite their confidence, there are also risks. They have to be highly accurate in their prediction of trends in aviation, technology and the lifespan of different aircraft in particular markets.

There are uncomfortable parallels in other sectors. Leasing has also traditionally been associated with shipbuilding, and it is salutary to consider that a crude carrier supertanker costing \$50 million 15 years ago now trades for scrap at \$5 million.

However, aircraft values in the same period have shown a different trend with values often increasing. Used DC-8s are selling for more today than 10 years ago, while a Boeing 747-200, purchased in 1972 for \$25 million, could be worth as much or more today.

Such evidence has boosted aircraft leasing and is also allowing huge build orders of new airliners to be placed, giving manufacturers their biggest boom in years.

Publicity for Military

Pentagon Remains Committed to Shows As Invaluable to Its Recruitment Efforts

By John H. Cushman Jr.

WASHINGTON — Ever since barnstorming daredevils first dazzled groundlings more than 60 years ago by turning audacious loops in their flying machines, the air show has been a fixture of aviation public relations.

But high-performance aircraft and huge crowds have added new elements of risk to today's air shows, which have become more dangerous as well as more dramatic displays of civilian and military aircraft.

The accident a week ago in an air show at an American air base in Ransbach, West Germany, where three Italian jet fighters collided and one plunged in flame into a crowd, killing 49 persons and injuring nearly 400, has made some people wonder whether the demonstrations are worth the expense and the risk they entail. They also question the U.S. military's participation in such events.

West Germany has banned military air shows since the accident. The disaster has also heightened demands for broader restrictions on low-level training flights by military aircraft, already a contentious issue in Germany. But the Defense Department, which values aerial circuses for their publicity and regards them as exciting and morale-building tools, has no plans to change its policy. Over the weekend, crowds in Cleveland watched the U.S. Navy's Blue Angels team, while the U.S. Air Force's team, the Thunderbirds, flew in Toronto.

Recruitment and public relations are the explicit goals, and the fact that the shows continue under tight safety controls despite occasional fatalities demonstrates that the military views the costs as acceptable, no matter how undesirable the losses.

The navy's Blue Angels will spend \$12.3 million this year, making 72 appearances, a spokesman said. The navy's direct advertising budget for recruiting is \$17.7 million. The air force's Thunderbirds spend about \$7 million a year.

Is this a frivolous use of military funds? No, said Defense Secretary Frank C. Carlucci 3d, adding that no review of the air show policy was under way.

"You have to accept the fact that a significant element of any fighting force is its morale," he said Thursday. "You could make the same argument about bands, or marching. It's all part of morale and discipline. The inspirational element, if you will, of demonstrating your capabilities is a very useful recruiting tool, and it is part of the muscle and sinew of military forces."

Since 1946, when the first military flight demonstration team was formed, there have been only a handful of fatal accidents in air shows, a Pentagon spokesman said. But there have been many more accidents in training for the shows.

In the last 42 years, the navy flying team has had 46 accidents, killing 22 pilots and two ground crew members and losing 39 aircraft. About 117 million spectators have watched the

navy shows. Twice as many have watched the air force team's displays, and 19 air force pilots have been killed.

Accidents related to flight demonstrations come in many varieties.

A KC-135 tanker crashed at Fairchild Air Force Base in Washington in 1987, killing

it hit the bomber's exhaust air in a sharp banking maneuver.

At Fort Bragg, North Carolina, a C-130 cargo plane crashed while trying to demonstrate the low-level drop of an armored vehicle onto the runway, killing five servicemen in July 1987.

And, in 1982, in the worst accident involving the Thunderbirds, four T-38 training jets crashed one after another at Nellis Air Force Base in Nevada as they flew in formation practicing an exercise in which they were to line up, swoop low and then climb into a loop. All four pilots were killed.

There have been other air show crashes overseas, as well. In 1982, 46 people on an army Chinook helicopter, including an international parachuting team, died when the aircraft crashed near Mannheim, West Germany.

At American air shows the Federal Aviation Administration prescribes strict limits on flight operations by both military and civilian aircraft in an effort to limit danger to crowds.

The Pentagon says it rigorously complies with these rules, and it often refuses to participate in air shows because the grounds do not allow enough space for military flight maneuvers.

The FAA has no jurisdiction over air shows in foreign countries, but the American military tries to adhere to equally strict standards when it is operating abroad.

JOHN H. CUSHMAN JR. is a reporter for The New York Times.

The inspirational element of demonstrating your capabilities is a very useful recruiting tool.

seven people, including one on the ground. The tanker, part of a newly formed Strategic Air Command team, the Thunderhawks, was practicing flying close behind a B-52 bomber when

Show Stakes Are High

Continued from page 1

show grow larger than Farnborough in terms of exhibitors and visitors.

The head of Messerschmitt-Bölkow-Blohm GmbH, Hanns Arnt Vogels, has suggested that Farnborough and the Hannover Air Show change from a two-year to three-year rotation, leaving the Paris event as it is. At present, though, there seems little prospect of any compromise being reached.

While major companies such as Boeing and British Aerospace expect to attend about 30 exhibitions a year, few of these principal players seem willing to pass up the opportunity of

being seen as an integral part of the established exhibitions. Both Farnborough and Paris are considered unique venues to develop new contacts and consolidate existing business relationships as well as show off new products.

In the final analysis, it is the commercial forces that will decide whether attendance at an exhibition is warranted. If a company is at the beginning of a marketing program, then it is going to be anxious to display its wares. Those air shows that can provide a sufficiently high number and caliber of visitors ultimately will be those that survive in an increasingly overcrowded circus.

Robert Bailey

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You will see a flight deck more advanced than those in commercial airliners. You will feel the comfort provided by the largest cabin of all jets designed for executive travel. You will learn more about its unequalled performance, the efficiency of its Rolls-Royce Tay engines, the reliability of its systems. And you will come away with a clear understanding of why so many of the world's major corporations and governments have chosen to operate the Gulfstream IV into the 1990s and beyond.

To arrange an escorted inspection of this amazing airplane while it is on display at the Farnborough exhibition, contact Joseph E. Aneckner, Vice President, Gulfstream International Marketing, Châlet 8-9, Row K, Châlet telephone: 02-52380260.

Gulfstream Aerospace Corporation, P.O. Box 2206, Savannah, Georgia 31402 U.S.A. Telephone: (912) 964-3288.



Souren Melikian
IN THE IHT EVERY SATURDAY WITH
AUTHORITATIVE WRITING ON THE
WORLD OF ART AND ART AUCTIONS

MONDAY, SEPTEMBER 5, 1988

Page 7

EUROBONDS

Signs of Slow U.S. Growth Boost Eurodollar Sector

By JOHN J. DUFFY

LONDON — The outlook for the Eurodollar bond market brightened unexpectedly last week as signs of moderating growth in the U.S. economy calmed investors' fears...

The report showed that the U.S. civilian unemployment rate edged up to 5.6 percent in August from 5.4 percent in July... The employment news is pretty positive for the bond market...

The prospect of stable U.S. interest rates makes the Eurodollar sector the only game in town.

The relative weakness of the August employment data and a 0.8 percent decline in the U.S. index of leading economic indicators for July also reported last week constituted the first signs that fears of rampant economic growth and escalating inflation in the United States may be overdone...

Dealers said they were not expecting a flood of offerings, but with the continued demand for dollar paper — especially in the Far East — a steady stream of new issues is likely in the weeks ahead...

This week, for example, should see a \$350 million fixed-rate, 7- to 10-year issue from Crédit Foncier de France, dealers said. Also likely are further dollar offerings from several Japanese banks...

While demand for Eurodollar bonds has been especially strong in Asia, U.S. dealers reported that as the dollar has strengthened and interest rates on highly rated, longer-term issues have risen close to 10 percent in recent weeks, U.S. institutional investors have also begun returning to the markets...

"We are moving into a completely different environment," said Simon Meadows, a vice president of Salomon Brothers International in London...

Last week's Eurobond activity was generally dollar-related, although a strengthening Deutsche mark prompted several issues in that currency by West German banks...

In the dollar sector, three Japanese banks brought \$500 million of new offerings to market Tuesday. Dealers said the most successful deal was a \$200 million issue of 9 1/2 percent, five-year bonds by Japan Development Bank...

"It was a good spread for a great name," said Mr. Meadows of Salomon Brothers. Japan Development Bank carries a government guarantee. The issue was the bank's first in dollars since April 1987...

Dealers said that with the current weakness of the yen and signs of tighter credit in Japan, Japanese issuers will have added incentive to borrow in dollars. With the current turmoil on the Tokyo Stock Exchange, moreover, the Japanese equity warrant bond sector is likely to remain dormant...

Takumi Shibata, executive director of Nomura International in London, said his firm would be "very quiet" on the equity warrant front "at least for the next few weeks."

Growth Slows In U.S.

Report Predicts Strong 3d Period

United Press International

NEW YORK — The rate of U.S. economic expansion slowed in August, but the level of new orders remained high enough "to all but assure robust economic growth for the third quarter," the National Association of Purchasing Management announced Sunday...

The Purchasing Manager's Index declined nearly 3 percentage points, to 56.2 percent from 59 percent in July, marking the second consecutive monthly decline in the rate of growth...

"Although the economy continued to grow in August, it did so with less vigor than the past two months," said Robert Bretz, chairman of the association's Business Survey Committee...

Based on the figures for all of this year, the index is "consistent" with an annual economic growth rate of about 3.7 percent, Mr. Bretz said...

New orders expanded in August for the 39th consecutive month, although at a slower pace than in June and July. The new orders index stood at 59.9 percent, with new export orders primarily responsible for the growth...

The production index in August fell to 58.2 percent. It was the fourth-highest level of the year but significantly lower than the 63.1 percent recorded in June and 62.7 percent in July...

Vendor deliveries also slackened. The August index stood at 58.1 percent, down from the two preceding months...

Inventories declined in August after rising sharply in July, after taking seasonal variations into account. The index fell to 48.6 percent from 55.1 percent in July...

Employment grew in August, but the rate of increase slowed to an index of 50.7 percent from July's 51.7 percent...

Although prices increased for the 25th month in a row, fewer companies reported higher prices in August than did in recent months. The price index fell to 78.7 percent in August from 81.1 percent in July...

It was the lowest since March when the index stood at 74.1 percent...



Floor dealers signaling for orders Saturday at the start of stock-index futures trading at the Osaka Stock Exchange. Trading in the futures was strong during the first sessions in Osaka and Tokyo.

Japanese Futures Strong in Debut

Trading Activity Exceeds Expectations in First Session

Compiled by Our Staff From Dispatches

TOKYO — Interest in stock-index futures was stronger than expected Saturday, but institutional investors remained generally cautious as the two major Japanese stock exchanges began trading the futures...

The heavy volume was due to Wall Street's strong performance on Friday, which raised stock prices in Japan, brokers said...

Overall trading volume in Tokyo for Tokyo Stock Price Index, or TOPIX, futures was 77,470 contracts, compared with 75,018 for the Nikkei-225 contract in Osaka, according to exchange figures...

But in money terms, the higher value of the Osaka contracts made volume there worth about 2.1 trillion yen (\$15.45 billion), compared with about 1.7 trillion for Tokyo...

The December 1988 contract for the Nikkei-225 futures opened at 27,940 and closed at 27,850. The only other trading was 18 contracts for March 1989, which both opened and closed at 28,080...

Brokers said the heavy concentration of trading on December was expected on the first day of trading. It will take time to work out spreads with more distant months, they said...

That Nikkei index itself, which is based on share prices of 225 selected companies, closed at 27,488.25, up 371.75 points, or 1.4 percent, from Friday's close...

TOPIX is the comprehensive price index covering all 1,117 issues listed on the first section, the board for major companies listed on the Tokyo exchange...

Japan is the 11th country to have a market for stock-index futures. The Kansas City Board of Trade in the United States was the first exchange to start the trading...

Many people placed orders as a token of celebration," said an official at Nikko Securities Co. Nearly 70 percent of transactions were executed by brokerage houses, said a senior dealer at Daiwa Securities Co...

"Regardless of token orders, daily transactions (in Tokyo and Osaka) is sure to exceed one trillion yen," he added...

But institutional investors remained cautious. Mitsubishi Trust Bank did not place any orders...

"It is not good that prices are fixed by token orders," an official said. "It is not reliable, and we will wait and see for a week or so."

At its current level of about 2.44 to the dollar, the rand has depreciated by 27 percent against the U.S. currency since January and by even more against the British pound, the Deutsche mark and the yen...

Leading local banks predict further falls in the rand and a consequent upsurge in inflation, which is running at 12.4 percent annually, well above the inflation rates of Pretoria's major trading partners...

"Ripple effects of the weak rand are already spreading through the economy, and the net result will be an acceleration of the inflation rate," said Standard Bank Investment Corp., in an economic review...

Declining reserves have heightened concern about the current account, the broad measure of trade in goods and services, which slipped into deficit for the first time since 1984 in the first quarter of this year...

Last month, the government introduced a package of emergency measures aimed mainly at curbing surging imports. It imposed surcharges of as much as 60 percent on a wide range of imports and tightened credit and exchange controls to shield the balance of payments and shrinking reserves...

The current account recorded a small surplus in the second quarter, but economists said this would have to be increased considerably if Pretoria is to meet repayment commitments on about \$22 billion of foreign debt...

South Africa has been forced to make heavy debt payments to creditors since foreign banks cut credit lines in 1985 amid intense anti-apartheid pressures...

South Africa remains a member of the International Monetary Fund and the World Bank, but neither organization will lend money to Pretoria because of its discriminatory race laws...

"If we had free access to foreign capital and credit lines, we wouldn't have to worry so much about our reserves," said Mr. Mohr. "But with the continued outflow of capital combined with falling reserves, our ability to keep repaying foreign debt comes into question," he added.

U.S. Oil Prices Skid Below \$15 As Output Soars

Compiled by Our Staff From Dispatches

NEW YORK — U.S. oil prices, which fell to a six-week low of under \$15 a barrel late last week, are poised to continue sliding this week amid accelerated production by OPEC members, industry analysts said Saturday and Sunday...

On the New York Mercantile Exchange Friday, crude oil for October delivery fell to \$14.77 a barrel, the lowest level since March 9, from \$15.34 the previous week...

According to reports Sunday, the increased production and quota cheating by some cartel members, reportedly Saudi Arabia, Kuwait and the United Arab Emirates, has created domestic problems for Rijswijk Lukman, the Nigerian oil minister who is chairman of the Organization of Petroleum Exporting Countries...

A Sunday report in the Guardian, a leading Nigerian newspaper, said Mr. Lukman was being criticized by members of the country's military government, who reportedly felt that he was being too high-minded in refusing to allow the country to deviate from its OPEC quota, despite cheating by other members...

The oil cartel produced about 20 million barrels of crude a day in August, more than a million barrels a day higher than in July and the most in 12 months, according to industry executives, government officials and shipping sources...

The 13-member group's production ceiling is 15.06 million barrels a day for 1988, excluding Iraq, which does not accept a quota and currently pumps an estimated 2.7 million barrels daily...

Iraq and its Gulf War foe Iran are eager to expand oil exports to pay for post-war reconstruction, potentially putting further pressure on prices...

In a report for Monday release, Petroleum Intelligence Weekly said OPEC production was likely to increase this month...

The publication said OPEC's production advanced in August because its members moved to stake claims to larger shares of total output in the wake of the Iran-Iraq cease-fire...

The Middle East peace dividend that the oil industry had hoped for — a new resolve by OPEC to reduce production and drive up prices — seems distant...

"How people can interpret the cease-fire as bullish for oil markets is beyond me," said Vahan Zanyan, the senior director at Petroleum Finance Co., a consulting firm in Washington...

With an end to the war, he said, OPEC production capacity would rise quickly by two million to three million barrels a day.

Other analysts said expectations about OPEC's future production are supporting prices at the moment. (Reuters, NYT, UPI, AP)



Rijswijk Lukman

South Africa Gold and Exchange Reserves Fall to Lowest Point Since '86

JOHANNESBURG — South Africa's plunging gold and foreign currency reserves, now at their lowest level since mid-1986, are causing deep concern and embarrassment to economic policy makers...

Gerhard de Kock, the Reserve Bank governor, said last month that gold and foreign exchange reserves had plummeted to a level where they were sufficient to pay for only two months' imports...

The main fear of economists and bankers is that the fall will exacerbate a slide in the rand and send inflation soaring. "Two months' is a crisis," remarked one banker...

The dwindling reserves also embarrass South Africa, the economic powerhouse of the continent, when compared with the healthier import cover ratios of some of its black neighbors...

Botswana this month reported that its reserves totaled \$982 million in June, equivalent to 24 months' import cover. Zimbabwe, whose economy is often portrayed by South African officials as a hopeless case, usually has reserves sufficient to cover at least three months' imports, according to economists in Harare...

South Africa's gold and foreign exchange reserve holdings have dropped from a peak of 8.7 billion rand (\$3.57 billion) in August 1987, to 5.6 billion rand in July of this year, Reserve Bank figures show...

The sharpest fall came last June when the central bank worried by a marked deterioration in the balance of payments, swapped 1 billion rand of gold reserves for hard currency to meet heavy foreign debt commitments...

"The last time the import cover ratio went down to two months was in mid-1986, and that was very close to an all-time low," said David Mohr, chief economist of South African Mutual Life Assurance Co., the country's biggest investment institution...

"Unless it improves substantially," he said, "the economy will remain very vulnerable to capital outflows, and if you don't pay attention to the import cover ratio you run the risk of a collapse in the rand."

A capital drain through foreign disinvestment and heavy debt repayments to overseas banks has already contributed to a steady slide in the value of the rand against major currencies this year...

At its current level of about 2.44 to the dollar, the rand has depreciated by 27 percent against the U.S. currency since January and by even more against the British pound, the Deutsche mark and the yen...

Leading local banks predict further falls in the rand and a consequent upsurge in inflation, which is running at 12.4 percent annually, well above the inflation rates of Pretoria's major trading partners...

Ripple effects of the weak rand are already spreading through the economy, and the net result will be an acceleration of the inflation rate, said Standard Bank Investment Corp., in an economic review...

Currency Rates

Table with columns for Country, Unit, and Rate. Includes entries for Australia, Canada, France, Germany, Hong Kong, India, Italy, Japan, Korea, New Zealand, Singapore, Taiwan, Thailand, UK, US, West Germany, and Yen.

Other Dollar Values

Table with columns for Country, Unit, and Rate. Includes entries for Australia, Canada, France, Germany, Hong Kong, India, Italy, Japan, Korea, New Zealand, Singapore, Taiwan, Thailand, UK, US, West Germany, and Yen.

Forward Rates

Table with columns for Currency, 30-day, 60-day, 90-day, and 360-day rates. Includes entries for Swiss franc, Canadian dollar, and Swiss franc.

Last Week's Markets

Table with columns for Index, Aug. 26, and % Change. Includes entries for DJ Industrial, DJ Total, S & P 500, NYSE Composite, and NYSE Mid-Cap.

Table with columns for Index, Aug. 26, and % Change. Includes entries for DJ Industrial, DJ Total, S & P 500, NYSE Composite, and NYSE Mid-Cap.

Advertisement for ELOF HANSSON THE GLOBETRADE. Text describes international trading services in pulp, paper, machinery, chemicals, timber, building material, steel, textiles, foodstuffs, and consumer goods. Includes contact information for Stockholm, Sweden.

Advertisement for INTERNATIONAL STOCK MARKETS. Text promotes a column on non-U.S. stock markets for investors and professionals worldwide.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30

Dollar Straights

Table of Dollar Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

France

Table of French bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

Germany

Table of German bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

Japan

Table of Japanese bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

United Kingdom

Table of UK bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

United States

Table of US bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

Switzerland

Table of Swiss bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

Yen Straights

Table of Yen bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

TO OUR READERS IN HOLLAND

The International Herald Tribune is now on newsstands throughout Holland every morning six days a week Monday-Saturday.

Wall Street Review

Table with NYSE Most Actives, AMEX Most Actives, NYSE Sales, AMEX Sales, NYSE Diaries, and AMEX Diaries.

Comprehensive U.S. Election Coverage from The New York Times and The Washington Post

Only the Trib brings you so much in-depth news and analysis of the crucial 1988 election - drawing on the unrivalled resources of our two parent newspapers.

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DM Zero Coupons

Table of DM Zero Coupons bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

DM Euro Bonds

Table of DM Euro Bonds bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

DM Dollar Zero Coupons

Table of DM Dollar Zero Coupons bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

DM Straights

Table of DM Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Spt.

Vertical advertisement for WestLB, featuring the text 'Fixed Income and Equities Trading for dealing prices call:' and 'WestLB Westdeutsche Landesbank'.

New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price end week, Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

Weak Jobs Data Boosts Bond Prices

NEW YORK — Bond prices ended last week sharply higher after receiving a big boost Friday from weak employment figures that suggested U.S. economic growth is slowing and eased concerns about the outlook for higher interest rates.

U.S. CREDIT MARKETS

6/32. The yield fell to 9.01 percent from 9.38 percent. In the short-term end of the credit markets, the federal funds rate, charged on overnight interbank loans, was slightly higher at 8 3/4 percent, compared with 8 1/4 percent.

Among intermediate government issues, the price of 10-year notes rose to 101 18/32 from 99 1/2.

WORLD STOCKS IN REVIEW / Via Agence France-Presse

Analysts See Long-Term Downward Trend in U.S. Equities

NEW YORK — Prices on the New York Stock Exchange may advance further in the next few sessions, but market analysts said they expected U.S. equities to decline in the long term.

"One swallow does not a summer make," said Alfred Goldman, a market analyst with A.G. Edwards & Sons. "There is no reason to conclude that the year-old bear market is over."

The U.S. Labor Department reported on Friday that unemployment in the nation rose to 5.6 percent in August, from 5.4 percent in July.

The economy has slowed until they see more than one month's worth of soft economic data," said Mr. Johnson.

Worries About Rising Interest Rates Dominate World Stock Exchanges

Amsterdam

Events in New York, London and Tokyo depressed stock prices in Amsterdam last week, overwhelming several positive factors in the Dutch economy.

indices finished lower. Dealers reacted with caution after large falls the previous week, although trading picked up Friday with selective buying.

A recovery on Wall Street Friday, prompted by latest U.S. unemployment figures, led to a reduction in losses in London at the end of the week.

There was strong speculative demand for certain shares, notably cement-maker Blue Circle, which rose on rumors that it had been approached about a possible bid from Lafarge of France.

Market observers said institutional buyers adopted a wait-and-see attitude ahead of the general election on Saturday, in which the ruling People's Action Party of Prime Minister Lee Kuan Yew faced one of its biggest challenges in 25 years.

Frankfurt

Stocks fell slightly last week as investors remained worried by interest rates and traded with reserve.

On Wednesday, stock prices rose slightly, but dealers continued to express pessimism and the market fell again Thursday.

On Friday the Hang Seng rose 16.57 points and the Hong Kong Index gained 12.28 points, but the gains did not dispel fears that the market would slide this week.

Other major concerns also fell. Olivetti was off 3.50 percent, CIR slid 2.73 percent, Pirelli dropped 3.63 percent, Fiat fell 1.92 percent, and Generali was down 1.29 percent.

Bank stocks fared better than most. Union Bank of Switzerland fell 35 to 3,165; Credit Suisse finished off 10 to 2,510, and Swiss Bank Corp. slid 9 to 351.

Hong Kong

Trading was mixed for most of last week, but both major market

Fears of a new increase in British interest rates depressed the market last week, and stocks fell sharply in nervous trading.

The Financial Times industrial share index lost 19.5 points last week to close at 1,405.9, and the 100-share index ended at 1,746.9, down 23.8 points from the previous week's close.

Disastrous British trade figures and a subsequent rise in interest rates continued to weigh on the market.

Investors kept a close watch on erratic movements in the pound, amid fears that a fall in the currency could set off another rise in interest rates, market analysts said.

Japanese GNP Said to Fall During Quarter. TOKYO — Japan's economy is believed to have registered negative growth in April, May and June, the first quarter of the 1988 fiscal year, leading newspapers said here Saturday.

CURRENCY: Global Economic Efforts Fractured by Divergent Outlooks

(Continued from Page 1) dollar and to squelch inflationary pressures. Those efforts — in which the Bank of Japan did not participate — appear to have succeeded in calming the markets in the short-term, foreign-exchange dealers said.

Washington and Tokyo is "very bearish for the dollar." "A strong dollar is going to squeeze the U.S. financial system and U.S. exports," he said.

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YEN: Capital Outflows Exert Downward Pressure on Japanese Currency

(Continued from Page 1) divergence of the yen and European currencies is seen in Japan as less a reflection of differing long-term views of the dollar's prospects than of the contrasting policy stances adopted by the Bank of Japan and the Bundesbank in recent weeks.

The West German central bank's recent decision to raise its official discount rate, the interest charged on loans to commercial banks, along with aggressive statements by the Bundesbank president, Karl Otto Pohl, have relieved pressure on the mark by signaling traders that speculative gains would no longer be possible.

At the same time, the Bank of Japan's hands-off posture in the face of a depreciating yen has begun to backfire. Until last week, the bank's decision to do no more than talk down the dollar signaled its confidence that the yen-dollar rate would remain in a 130-135 band.

But a statement Thursday by Finance Minister Kiichi Miyazawa, brushing aside the yen's decline, was taken as "a green light to speculators," as one market analyst said, and a more concerted attack on the yen began to gain momentum.

Several local factors have also contributed to the year's sharp decline relative to the fall of European currencies against the dollar. Proposed taxes on some stock transac-

tions in Tokyo have encouraged the outflow of funds from Japan.

Equally, weakness in the Tokyo stock and bond markets and the perception that real estate prices have passed their peaks are forcing highly liquid institutional investors overseas.

Japanese GNP Said to Fall During Quarter. TOKYO — Japan's economy is believed to have registered negative growth in April, May and June, the first quarter of the 1988 fiscal year, leading newspapers said here Saturday.

INTERNATIONAL POSITIONS. You will find below a listing of job positions published last Thursday under the rubric International Positions. Table with columns: TITLE, SALARY, EMPLOYER.

The Global Newspaper. U.S. Consumer Rates. Table with columns: Item, Rate. Includes a small image of a person's face.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Table of NASDAQ National Market data, including columns for 'Sells in 100s', 'High', 'Low', 'Close', and 'Chg'. It lists various stocks and their trading activity.

Treasury Bonds

Table of Treasury Bonds data, including columns for 'Maturity', 'Bid', 'Ask', 'Yield', and 'Chg'. It lists various bond issues and their market prices.

American Exchange Options

Figures as of close of trading Friday, Sept. 2

Table of American Exchange Options data, including columns for 'Option & price', 'Calls', and 'Puts'. It lists various call and put options on different stocks.

Chicago Exchange Options

Figures as of close of trading Friday, Sept. 2

Table of Chicago Exchange Options data, including columns for 'Option & price', 'Calls', and 'Puts'. It lists various call and put options on different stocks.

Mutual Funds

Figures as of close of trading Friday, Sept. 2

NEW YORK (AP)—The following mutual funds, as ranked by the National Association of Securities Dealers, Inc., are among the top 100 funds in which securities prices have risen since the start of the year.

Table of Mutual Funds data, including columns for 'Fund Name', 'Assets', and 'Chg'. It lists various mutual funds and their performance.

Main table of International Classified escorts and guides, including columns for 'Escorts & Guides', 'International Service', 'Nightingales', 'London', and 'Belgravia'. It lists various services and contact information.

MONDAY SPORTS

North Korea to Boycott Olympics

But Seoul Says Door Will Be Open Until Starting Day

Compiled by Our Staff From Dispatches

SEOUL — North Korea has announced that its athletes will not take part in the Seoul Olympic Games, which open Sept. 17, and has called on other countries to join the boycott.

"This will leave another stain in Olympic history," the North Korean Olympic Committee said in a statement carried Saturday by the Korean Central News Agency.

North Korea is one of six nations staying away from the Games. But the Soviet Union and China are participating, along with the entire East European bloc that boycotted the 1984 Games in Los Angeles.

"For us, the Olympic Games are important, but more important is the future destiny of our entire nation," the North Korean statement said. "For this reason, we cannot take part in the Olympic Games

that is forced by single-handed hosting."

North Korea had demanded to co-host the Games with South Korea. The International Olympic Committee repeatedly stated that the Olympics are awarded to a single city and cannot be shared, but the IOC and South Korea had offered a compromise that would allow the North to host five Olympic sports. North Korea turned down the offer.

In August, the IOC launched its "ultimate attempt" to entice North Korea and other countries to attend the Games by calling for North and South Korean athletes to march side by side at the opening and closing ceremonies and carrying their own national flags.

Also missing from the Games will be Cuba, Nicaragua, Ethiopia, Albania and the Seychelles. The formal deadline for entries

to the Olympics expired Friday, but South Korean officials maintain that the door will remain open until the final day of Games.

The North Korean Olympic committee also urged South Koreans to support its decision to boycott the event and warned that other nations would follow suit.

IOC officials said they regretted North Korea's decision to boycott the Games. Juan Antonio Samaranch, president of the International Olympic Committee, said Saturday in Lausanne, Switzerland, that although he was not surprised he was very disappointed.

He added that the IOC had shown its good intentions in trying to find an acceptable solution. (UPI, AP, AFP)

Athletes' Village Opens

The athletes' village, a vast complex of apartment buildings and service facilities, that will be home for nearly 15,000 athletes and officials of the 161 countries participating in the Games, was opened Saturday. The New York Times reported from Seoul.

The ceremony was a serious, almost solemn affair. An audience of several hundred political and Olympic officials from about 80 nations sat outside the center of the complex, listening to the welcome remarks of Park Seh Jik, the president of the Seoul Games' Organizing Committee.

After a formal ceremony and the release of hundreds of balloons, the audience to wander the grounds and attend a lunch, at which they could sample food their athletes would eat during their stay.

The village is virtually a self-contained city in the southeast section of Seoul, with a residential zone of 86 high-rise and midrise buildings and every amenity possible. Athletes will have access to training facilities, a shopping center, religious center, medical center, barber shop, beauty salon, theater, pharmacy, sauna, disco, laundry room, tea room, billiard room, even a video-game room and a dining hall that can accommodate 4,200 in one sitting. The head chef, Lee In On, has a record of 562.

After the Games end on Oct. 2, the complex will become a housing development. All of the apartments in the athletes' village, as well as those in the adjacent news-media village—more than 5,500 altogether—have been sold to local citizens.



Brent Snyder, the Utah State quarterback, under pressure from Broderick Thomas of Nebraska.

Miami Routs Florida St., 31-0

Compiled by Our Staff From Dispatches

NEW YORK — The Miami Hurricanes, the defending national champions, got the 1988 college football season off on the right foot Saturday night with a 31-0 rout of Florida State in Miami.

Steve Walsh passed for two touchdowns and Cleveland Gary ran for one as the Hurricanes overwhelmed the Seminoles.

The Hurricanes used a lightning-quick defense to smother one of the nation's most explosive offenses, limiting Florida State to 91 yards (83 meters) in the first half and permitting the Seminoles to cross midfield just twice in the first two periods.

So dominant was Miami's defense that Florida State tailback Sammie Smith, who rushed for a school record 1,230 yards last year, was held to just six yards, a career low, on 18 carries.

"We got whipped every way you can think of," said Bobby Bowden, the Florida State coach. "It was very evident that their emotion, their second effort, their will was stronger than ours."

"They're better than I thought they were. I thought we'd beat them. We haven't been beaten that bad in a long time."

Jimmy Johnson, the Miami coach,

acknowledged that his players were at the top of their game.

"I thought the entire team played well in all phases," he said. "I'm proud of how we approached

U.S. COLLEGE FOOTBALL

This game in a businesslike manner and then the players went out and took care of business."

Nebraska 63, Utah State 13: In Lincoln, Nebraska, quarterback Steve Taylor ran for touchdowns of 22 and 15 yards and passed for another to lead the Cornhuskers. Taylor connected with Richard Bell on an 11-yard pass to cap a 74-yard scoring drive that took just 54 seconds late in the first half.

Clemson 40, Virginia Tech 7: In Clemson, South Carolina, quarterback Rodney Williams scored once and directed Clemson's option offense in a 24-point second-period outburst in the triumph over Virginia Tech.

UCLA 59, San Diego State 6: In Pasadena, California, Darryl Henley returned the first punt of the game 89 yards for a touchdown and Troy Aikman threw three scoring passes to power UCLA. Eric Ball added 122 yards on 17 carries for the Bruins, who built a 31-0 halftime lead.

LSU 27, Texas A&M 0: In Baton

Rouge, Louisiana, linebacker Ron Sanchez returned an interception 20 yards for a touchdown and Eddie Fuller and Victor Jones each added touchdowns for LSU.

Georgia 28, Tennessee 17: In Athens, Georgia, Rodney Hampton ran for 196 yards and two touchdowns and Tim Worley added 144 yards and two scores as Georgia's ground game overpowered Tennessee.

West Virginia 62, Bowling Green 14: In Morgantown, West Virginia, quarterback Major Harris directed six first-half scoring drives to pace West Virginia. Harris had 163 yards total offense in the first half, throwing for 90 yards and a touchdown and rushing for 73 yards and another score.

South Carolina 31, North Carolina 16: In Columbia, South Carolina, Todd Ellis passed for 290 yards and two touchdowns and Harold Green ran for two scores to lift the Gamecocks.

Ellis completed 23 of 38 passes, including scoring strikes of 48 and 8 yards. Green, a junior tailback, gained 100 yards on 21 carries and scored on plunges of 2 and 1 yards.

Hawaii 27, Iowa 24: In Honolulu, freshman place-kicker Jason Elam, making up for an earlier miss, hit two fourth-quarter field goals and Hawaii held on to upset Iowa.

(AP, UPI)

Behind McMahon, Bears Beat Dolphins As Season Begins

The Associated Press

CHICAGO — Quarterback Jim McMahon scored two touchdowns and directed a devastating ball-control attack to lead the Chicago Bears to a 34-7 victory over the

Bengals 21, Cardinals 14: In Cincinnati, Boomer Esiason threw three touchdowns passes and the Bengals held Phoenix in the closing minute with their second goal-line stand of the game.

Lions 31, Falcons 17: In Pontiac, Michigan, Detroit turned four Atlanta mistakes into touchdowns, including a four-yard fumble return by linebacker George Jackson.

Detroit quarterback Chuck Long completed 13 of 19 passes for 197 yards, including a scoring strike to Pete Mandley and a one-yard TD pass to Mark Leaf. Long threw one interception.

49ers 34, Saints 33: In New Orleans, Joe Montana threw three touchdown passes in a 12-minute span of the third quarter and Mike Cofer kicked a 32-yard field goal with 1:40 left in the game to lead San Francisco.

Montana left the game with a bruised elbow after his third touchdown pass and was replaced by Steve Young.

Bills 13, Vikings 10: In Orchard Park, New York, Buffalo's defense stung by the loss of defensive end Bruce Smith to a five-game suspension for failing NFL drug tests, sacked Minnesota quarterback Wade Wilson six times in the upper of the Vikings.

Jim Kelly threw for 204 yards, rookie Thurman Thomas rushed for 86 yards and a touchdown and Scott Norwood kicked two field goals as the Bills won a season opener for the first time since 1967.

Rams 34, Packers 7: In Green Bay, Wisconsin, Jim Everett passed for two touchdowns and Jerry Gray returned an interception 47 yards for another score as Los Angeles feasted on Green Bay turnovers.

The Packers lost four fumbles and had three passes intercepted in the debut of Coach Lindy Infante.

Eagles 41, Bills 14: In Tampa, Florida, Randall Cunningham passed for 156 yards and two touchdowns and the Philadelphia defense intercepted Vinny Testaverde five times to lead Philadelphia.

Cunningham, who also ran for a touchdown, tossed a 37-yard scoring pass to Mike Quick to begin the rout and threw an eight-yarder to rookie Keith Jackson late in the first quarter.

SIDELINES

Moody Wins European Masters Golf

CRANS, Switzerland (AP) — Chris Moody of England on Sunday won the European Masters golf tournament by one stroke, upsetting Severiano Ballesteros of Spain, this year's British Open champion.

Moody shot a 7-under-par 65 Sunday, bringing his four-round total to 268, or 20-under-par on the alpine course. He had been three strokes behind going into the final round.

Ballesteros, with a 68 on Sunday and a 269 total, finished in a three-way tie for second with Ian Woosnam of Wales, who led by one stroke going into the final round but had his worst score of the tournament Sunday, a 69, and Anders Forsbrand of Sweden, who had a 64.

Promoter Says He'll Bid for Yankees

CARBONDALE, Pennsylvania (AP) — The fight promoter Dennis Rappaport says he has organized a group of investors and is prepared to make an offer to George Steinbrenner to buy the New York Yankees.

Rappaport, who managed Gerry Cooney and who is involved in the comeback attempt of George Foreman, a former heavyweight champion, would not disclose the amount of the offer or the names of the investors.

"I'm prepared and I have a group now and if Mr. Steinbrenner would entertain an offer, we would be willing to make a commitment to purchase the Yankees," Rappaport said Saturday in an interview on a sports radio program.

For the Record

Gilbert Roman of Mexico retained his World Boxing Council lightweight title Sunday with a unanimous decision over Kiyoshi Hatanaka of Japan in Nagoya, Japan.

The removal of Angel Myers from the U.S. Olympic swimming team, after testing positive for steroid use, has been upheld by a three-member arbitration panel. Myers had contended that the positive test was the result of a birth control prescription.

Irish Olympics selectors in Dublin have turned down a plea by the Irish Athletics Federation to pick Eamon Coghlan, 35, the holder of the world record in the mile and 1,500-meter, for the 5,000-meter race at the Seoul Olympics.

ACROSS

- 1 Appear
5 Valuable violin
10 Stretched joining
14 Nimbus
15 Planet second nearest to the sun
16 Seaweed
17 Toward the mouth
18 Cavities in bones
19 Layer
20 Complete
22 Female ballet dancers
24 — Depths,
25 Gory drama
26 Choice vest
27 Turkish inn
28 Nosh'er's delight
33 Comprehends
36 Browne or Houston
38 Be sorry
39 Planet eighth nearest to the sun
41 Planet nearest to the sun
44 Collection of anecdotes

Crossword puzzle grid with numbers 1-44.

© New York Times, edited by Eugene Maletka.

WEATHER

Weather forecast table with columns for Europe, Asia, North America, Latin America, and Oceania, listing high and low temperatures.

DENNIS THE MENACE

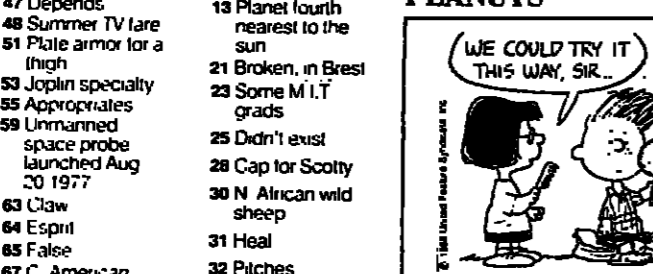


"I SAID... MR. WILSON'S HEAD LASTED A LOT LONGER THAN HIS HAIR."

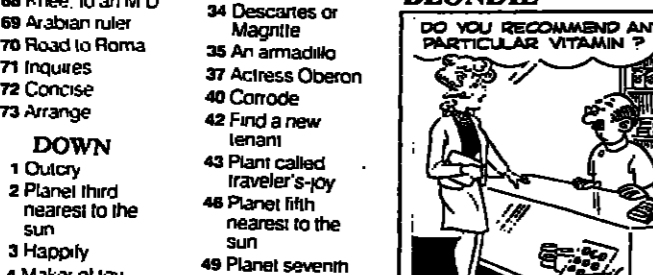
JUMBLE

Jumble word game section with scrambled words and a cartoon illustration.

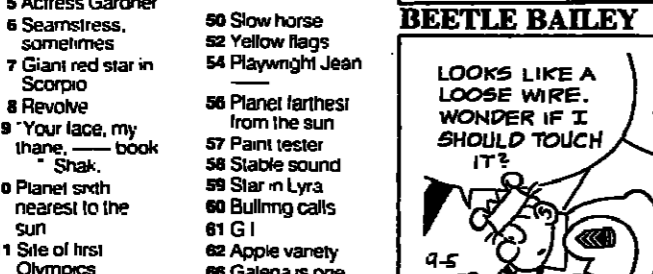
PEANUTS



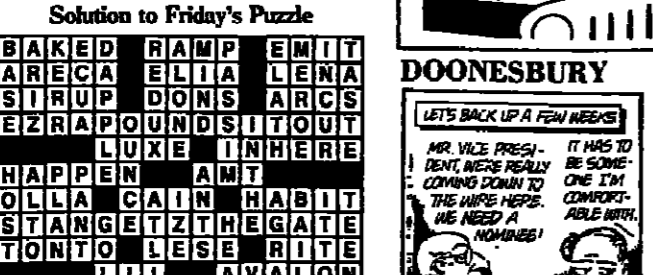
BLONDIE



BEEBLE BAILEY



DOONESBURY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



Solution to Friday's Puzzle

BAKED RAMP EMIT
ARECA ELIA LENA
STRUP DONS ARCS
EZRA POUNDS IT OUT
LUXE IN HERE
HAPPEN AMT
OLLA GAIN HABIT
STANGETZTHEGATE
TONTTO LESE RITE
LII AVOLON
AUGEAN DAVE
GLENN CLOSES DOOR
NENE HUGH TEMPO
EMIR OBIE ALIAS
SACO NEER LETHE

SCOREBOARD

Scoreboard table listing various sports events and scores.

MONDAY SPORTS

Mecir and Leconte Fall Before Rain Disrupts U.S. Open

Compiled by Our Staff From Dispatches NEW YORK — Light but persistent rain forced officials of the U.S. Open to cancel all play on Sunday.

Twelve singles matches — eight men's and four women's — were rescheduled for Monday. Top-seeded Ivan Lendl was scheduled to meet Scott Davis and Andre Agassi, the fourth seed, was to have faced Johan Kriek in third-round matches.

In the women's draw, second-seeded Martina Navratilova was matched against African Elna Reinach and fifth-seeded Gabriela Sabatini against Stephanie Rehe.

The weather forecast called for rain throughout the day, ending sometime on Monday, the Labor Day holiday in the United States. All-day rain also pre-empted most of the first round of play last Monday.

On Saturday, the Grandstand Court added to its reputation as upset headquarters. Seven seeded players among the men and women have been beaten there so far this year.

Henri Leconte, seeded 10th, was the latest victim, falling to John Frawley, 6-3, 6-4, 6-3. He was the fourth seeded men's player to be defeated by an unseeded Australian player, after Boris Becker, John McEnroe and Yannick Noah.

Ninth-seeded Lori McNeil was the women's Grandstand sacrifice, losing to Judith Wiesner, 7-6, 3-6, 6-4.



A's catcher Ron Hassey lost the ball in a collision with Yankee Willie Randolph, who then scored.

Jackson Wins 20th for Reds

The Associated Press CHICAGO — Danny Jackson became the National League's first 20-game winner this season and went four-for-five, including two hits during Cincinnati's nine-run

homer and Billy Hatcher drove in two runs to lead the Astros. The victory moved Houston to within five games of first-place Los Angeles in the National League West.

his second home run of the season. Brewers 6, Tigers 1: In Detroit, Ted Higuera allowed one hit in seven innings for his sixth straight victory and B.J. Surhoff hit a three-run homer as Milwaukee completed a sweep of their four-game series with the Tigers.

home and two-run single. Jackson, who scored four runs, entered the game with nine hits in 74 at-bats, a .122 average.

Bob Knepper pitched five innings and allowed three runs and eight hits. Dave Smith, the fourth Astros pitcher, got the last three outs for his 24th save.

The Brewers have won six straight and pulled to within four games of the first-place Tigers in the American League East. With the Tigers dropping 11 of 13, Milwaukee has picked up seven games in 14 days.

Other seeded players who survived to play another day were Chris Evert, third seed, who defeated Michelle Torres, 6-3, 6-3; Manuela Maleeva (6), who downed Isabel Cuesta, 6-1, 1-6, 6-3; Helena Sukova (7) against Amy Frazier, 7-5, 7-5; Barbara Potter (12) against Betsy Nagelsen, 7-5, 6-3; and Katerina Maleeva (14) against Sandra Wasserman, 5-7, 6-2, 6-1.

Explos 3, Giants 2: In Montreal, Andres Galarraga hit a two-run double and Brian Holman won for the first time in a month as the Expos swept a three-game series with San Francisco.

Blue Jays 9, Rangers 7: In Toronto, George Bell hit a grand slam in the bottom of the ninth and Rance Mulliniks' two-run double highlighted a five-run eighth as the Blue Jays rallied against Texas.

Sylvia Hanika, the 15th seed, was defeated by Patty Fendick, 6-7 (4-7), 6-3, 7-5.

Los Angeles paced Cincinnati's 18-hit attack with a three-run homer and two-run single. Jackson, who scored four runs, entered the game with nine hits in 74 at-bats, a .122 average.

Holman allowed seven hits in seven innings for his first victory since Aug. 4 and Tim Burke finished for his 14th save. The Expos took the lead off Rick Reuschel, 1-7, 8, when they sent eight batters to the plate and scored three runs on five hits in the fourth inning.

Frawley joined Mark Woodford, Darren Cahill and Jason Stoltenberg in Australia's fraternity of giant killers.

Indiana 3, White Sox 2: In the American League, in Cleveland, Dave Clark homered with one out in the ninth to lift the Indians.

Clark connected to left on a 1-0 pitch from reliever Barry Jones for

Before, it used to be negative," he said. "Now, we're getting together, learning how to play the other players, getting help from Australians."

It was Jackson's 13th complete game, the best in the league, and the most for Cincinnati since 1984 when Mario Soto had 13. Jackson pitched his sixth shutout of the season, the most by a Red since 1973 when Jack Billingham had seven.

Leading 4-0, the Reds assured Jackson of his 20th victory with nine runs in the fifth.

Frawley's brother, Rod, was a semifinalist at Wimbledon in 1981. But unlike his brother, John Frawley was raised as an all-court player, not a grass-court specialist in the Australian tradition.

Leading 4-0, the Reds assured Jackson of his 20th victory with nine runs in the fifth.

Clark connected to left on a 1-0 pitch from reliever Barry Jones for



Henri Leconte, left, the 10th seed at the U.S. Open, grimaces after losing a point to John Frawley of Australia, above, who earlier in the tournament had upset Paul Anacone. Frawley won, 6-3, 6-4, 6-3. Leconte was the fourth men's seed to be ousted by an Australian.



SCOREBOARD

FOOTBALL

Selected College Results

Table of college football results including games like American Int'l vs. Cleveland, Stanford vs. Michigan, and various other matchups with scores.

BASEBALL

Friday's and Saturday's Major League Line Scores

Table of major league baseball line scores for Friday and Saturday, listing teams and their respective scores.

TENNIS

U.S. Open Results

Table of U.S. Open tennis results, including men's and women's singles and doubles matches with scores.

Major League Standings

Table showing the current standings for various Major League Baseball teams, including American League and National League divisions.

SOCCER

ENGLISH FIRST DIVISION

Table of English First Division soccer results, listing teams like Arsenal, Everton, Liverpool, and their scores.

TRANSITION

Table detailing player transfers between teams in various leagues, including American League, National League, and international soccer.

Surging Brewers Down the Slumping Tigers

Compiled by Our Staff From Dispatches DETROIT — Jeffrey Leonard hit a two-run homer and Jeff Meyer had a three-run shot and an RBI single, and Paul Mirabella sparked in long relief here Saturday night to give the surging Milwaukee Brewers a 7-3 victory over the slumping Detroit Tigers.

11th home run to give the Brewers a 7-2 lead. Detroit scored twice in the third on Whitaker's two-run double that followed singles by Dwayne Murphy and Tom Brookens.

After being called out on strikes Saturday, San Diego's Tony Gwynn letting umpire Mark Hirschbeck know that he didn't agree.

Milwaukee built a 2-0 lead by the

Twins 8, Royals 6: In Minneapolis, Jim Dwyer's two-run, pinch-hit single capped a six-run seventh inning that paced Minnesota. Three Kansas City pitchers failed to get an out in the seventh as the Twins sent 11 batters to the plate.

over seven innings and Kevin Bass drove in two runs to lead the rout of St. Louis.

SATURDAY BASEBALL

Paul Molitor hit Searcy's second pitch of the game for a single and Leonard smacked the next delivery for his seventh American League homer and ninth overall this season. Meyer added an RBI single to cap Searcy.

Angels 2, Red Sox 1: In Anaheim, California, Wally Joyner singled home the go-ahead run with two out in the eighth to lift California. The victory prevented Boston from moving into a first-place tie with Detroit in the American League East.

Reds 6, Cubs 4: In Chicago, Nick Esasky hit a three-run homer and Paul O'Neill had two doubles and a triple as Cincinnati won its fourth straight.

Ted Power, making his first appearance for Detroit after being acquired from Kansas City on Thursday, pitched seven innings, allowing three runs on five hits.

Mets 2, Dodgers 1: In the National League, in New York, Dwight Gooden got help from Randy Myers on a six-bitter as he defeated Los Angeles for the third time this season. Gooden gave up six hits, walked one and struck out five in eight innings.

Explos 6, Giants 4: In Montreal, Nelson Santovena's second homer of the game, a two-run blast with two out in the 13th, lifted the Expos.

Milwaukee came on in the fourth inning to reduce Lon Whitaker, looking at a third strike with two out, the bases loaded and the Brewers holding a 3-2 lead. He did not allow a hit over 3 1/2 innings.

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Explos 6, Giants 4: In Montreal, Nelson Santovena's second homer of the game, a two-run blast with two out in the 13th, lifted the Expos.

The Brewers scored in the seventh when Jim Gantner singled, advanced to second on a groundout by Dale Sveum and scored on Molitor's single.

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In the eighth, Deer singled off reliever Mike Hemmick and stole second and Greg Brock was intentionally walked. Meyer then hit his

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Colleges

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Table showing the current standings for various Major League Baseball teams, including American League and National League divisions.

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Sail Away
The two Stars & Stripes catamarans practicing for this week's America's Cup race against New Zealand in waters off San Diego. Dennis Conner, the skipper of Stars & Stripes, will sail the 60-foot hard-sail catamaran at right in a challenge by Michael Fay of New Zealand, who will be sailing a 132-foot monohull. The race begins Wednesday.

